MERCHANDISING AND DISTRIBUTION SERIES

PAUL H. NYSTROM, EDITOR

ECONOMICS OF RETAILING—PAUL H. NYSTROM.

VOLUME I—RETAIL INSTITUTIONS AND TRENDS—A Critical Analysis of the Retail Business as the Central Factor in Present Day Distribution of Goods.

VOLUME II—PRINCIPLES OF RETAIL STORE OPERATION—Retail Methods Described and Appraised.

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(*Other volumes in preparation*)

ECONOMICS OF RETAILING

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VOLUME I

RETAIL INSTITUTIONS AND TRENDS

A Critical Analysis of the Retail Business as the Central Factor in Present-Day Distribution of Goods

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PREFACE

Since the "Economics of Retailing" was first written, revolutions have occurred in the entire system of distributing goods, and nowhere have there been greater changes than in retailing. Very few goods are distributed in the same manner as they were in 1915 or even in 1919. In those days production, broadly speaking, was the source of most of the difficulties that business men had to face. In the intervening years the problems of production have gradually been displaced from the center of executive attention by the difficulties of marketing. This shift of emphasis has affected every phase of the retailing business.

The present work is not merely a revision of earlier editions; it is a complete rewriting, in which scarcely a sentence from the older work remains. Some parts of the earlier book were, by good chance, prophetic of developments that have since taken place. Others substantially represented facts and principles that still hold good. On the other hand, much of what was presented in the first two editions, while properly applicable at the time of writing, is now obsolete. The new developments and the changed situation in the retail trade demanded a thorough restatement.

Moreover, during the past decade of intimate contacts with and continuous study of the retail business, the writer has gained a wealth of new information, many new viewpoints, and a broader basis of interpretation. In the new work the effort has been made to incorporate the results of these added opportunities for observation and experience, and to present an up-to-date manual of retailing, practical throughout.

As it proved impossible to give such a comprehensive treatment within the compass of one volume, the new "Economics

of Retailing" is offered in two volumes, each complete in itself. Volume I deals with retail institutions, their origins and growth, and their trends and meaning in present systems of distribution of goods. Volume II presents the principles of store operation, from the standpoint of sound, practical business.

The present work, accordingly, seeks to give in plain and simple style a comprehensive account of retailing as it is carried on today. It covers both large stores and small stores. It analyzes the specific difficulties that now confront retailers. It gives special attention to the changes that are going on, such as the newer methods in buying, in store operation, and sales promotion. It discusses the pros and cons of cooperative or group activity, of voluntary retail associations and chains, of mergers and combinations. It suggests ways and means of progress and encourages intelligent use of resources available to retailers.

Such a work, it is believed, should be of interest to many people concerned in one way or another with the retail field. The experienced, successful retailer should find in such a systematic outline of the current trends of the business suggestions for further constructive steps. For young executives, students, and general business readers, the facts and examples here presented in full detail, in plain and simple terms, should be of aid not only in learning how the retail business of today is conducted but also in acquiring a proper viewpoint and a balance based on clear ideas. Wholesalers and manufacturers, sales managers and advertising managers, struggling with the problems of the changes now going on in the retail field, should find such a survey enlightening and helpful. Bankers and investors who have entered retailing through stock ownership or otherwise, may find it useful in obtaining a clear-cut picture of what retailing really is and what conditions are necessary to make the retail business profitable.

Certain features in this work to which the reader's attention may be called are the following: (1) The inclusion of numer-

ous pictures of founders of the retail business, some of which have never before been published. (2) A treatment of retailing as an institution and a business force with a rich historical background, a knowledge of which is necessary to a proper comprehension of present-day institutions and practices. Two chapters are included which deal directly with the origins of the retail business in past history. (3) Particular stress upon the significance and importance of present trends in retailing as the most important consideration in present-day study of the subject.

The writer wishes to express his indebtedness in general here and by special references throughout the text for the opportunity courteously extended by the publishers of other books and particularly of trade and business papers, and by the officers of the great retail trade associations for the use of illustrations and examples included in this book.

PAUL H. NYSTROM.

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CHAPTER I

PLACE OF RETAILING IN THE DISTRIBUTION OF GOODS

The term "distribution" as used here covers all activities of transferring goods from producers to consumers, including changes in ownership, transportation, storage, grading, packing, display, advertising, and selling.

Producers.—The extent of the problem of distribution may be made clear by an explanation of who and where producers and consumers are, using the United States as the example. The first step in distribution is the assembling of products from farms and factories. There are about 6,400,000 individual farms and 196,000 factories of all kinds, of which probably about one-half produce goods for ultimate consumers' use. In addition to the products of domestic origin there are, literally, countless items, imported from all parts of the world, that enter into the consumption of the American people.

Next, these goods must be placed at the disposal and choice of the consumers, wherever they are located, for the final use for which they were made. It is the work of distributors to gather up the products of farms and factories and to pass these on to consumers wherever they may be.

Consumers.—Everybody is a consumer. Taking the United States as a whole, there are 120,000,000 people, scattered over 3,000,000 square miles of territory, living in cities, towns, villages, hamlets, and country. Of these, 51% live in nearly 3,000 cities of over 2,500 population. Another 12% live in 12,900 incorporated villages under 2,500 population, and still another 4% live in 8,100 unincorporated villages over 250

population. Another 3% or 4% live in the 100,000 little hamlets under 250 population and 29% make up the farming population. Over 70% of the population of this country live in cities and villages. By the time the census of 1930 is taken the number of people living in cities and villages may have risen to 75% of the total population.

Trading Centers.—The country population, for the most part, supplies its wants from the retail institutions located in the towns. By far the larger part of the retail trade in such lines as clothing, shoes, millinery, hats, underwear, jewelry, furs, and home furnishings is done in the 3,000 cities over 2,500 population. In fact certain studies of trading areas in the United States have resulted in estimates that nearly three-fourths of the entire retail trade of the country in all consumers' goods other than foods is done in less than a thousand principal cities. It is probable that since the advent of the automobile and good roads there is scarcely a family that lives more than two hours' travel from some one of these cities. People buy foods and convenience goods of low unit cost in nearby stores but go to the larger centers for clothing, home furnishings and other goods of high unit values.

Retail stores, as we shall see in a later chapter, tend to cluster together, forming trading centers. The commonest groupings or clusters are usually composed of stores selling groceries, meats, and other foods, drug stores, hardware stores, and stores offering general lines of merchandise. In each of the larger cities there is more than one such trading center. In a few of the largest cities there are scores of trading centers. For example, in greater New York and its trading area, including a 50-mile radius from the heart of the city, there are approximately 500 distinct trading centers.

Finally, it must be borne in mind that a part of the problem of distribution is the fact that every consumer is a separate, definite personality with particular wants, ideas, and habits

ned as effectively as possible. Such is the work of distribution.

The Usual Channels of Distribution.—The usual channels of distribution vary somewhat according to the products but may be illustrated by the following cases:

Fruits and vegetables are commonly sold by producers to local buyers who in turn ship their goods to wholesalers in the larger markets. Sales are made by wholesalers to jobbers and they in turn make their sales to retailers who finally supply the consumers.

Fresh meats pass through similar channels. Cattle raisers make their sales of stock to local buyers who in turn sell to the packing houses. The larger packing houses distribute through branch houses which in turn sell to retail meat dealers who take care of the requirements of consumers.

Manufactured groceries are usually sold by the producers either to brokers or directly to wholesalers who in turn sell to retailers. A number of large manufacturers each making many consumer products sell directly to retailers. Still other manufacturers, particularly of branded goods, make their own sales to wholesalers but help stimulate the demand from retailers by means of specialty salesmen who visit the retail trade.

Dry goods, notions, and small wares follow approximately the same types of channels as groceries. Manufacturers sell to wholesalers who in turn sell to retailers. Other manufacturers with larger lines sell direct to retailers.

Clothing, for both men and women, is generally sold directly to the retailer by the manufacturer, although there is a limited amount of wholesaling in this field.

Variations in Channels of Distribution.—There are a great many exceptions to and variations in the foregoing channels. Manufacturers often sell their products direct to chain stores, mail order houses, and department stores. In such marketing the wholesaler is eliminated. In a few instances

manufacturers sell direct to consumers through house-to-house canvassers, by mail, or by establishment of their own retail stores. Any attempt to illustrate all of the channels through which goods find their way from producers to consumers results in a very complicated diagram.

Examples of Distribution of Goods.—As a concrete illustration of the functions performed in distribution, we may take the marketing of fruits and vegetables in a great metropolitan center such as New York. At the time of present writing, this city consumes about $300,000,000 worth of these products at retail prices per year.

The metropolitan area making up greater New York contains nearly 10,000,000 people and about 500 trading centers. Located in this area are over 18,000 grocery and food stores of which approximately 10,000 handle fruits and vegetables. There are, in addition, about 3,500 fruit and vegetable stores and 14,000 restaurants and eating places offering a market for fruits and vegetables.

There is also a considerable amount of distribution of fruits and vegetables through hucksters and peddlers. There are over 4,000 hucksters' licenses in greater New York alone and not less than 7,500 pushcart dealers who make their sales from two-wheeled carts in certain parts of the city.

The distribution system for fruits and vegetables, therefore, consists of not less than 30,000 outlets in metropolitan New York. To supply this number of retail outlets there are at least 600 jobbers, of whom about 150 are located in downtown New York in the vicinity of what is known as the Washington Market. There are 115 in Brooklyn in what is known as Wallabout Market. There are at least 100 in Harlem, 80 in mid-New York near the Gansevort Market, about 50 in Newark, New Jersey, and an estimated 135 scattered over other parts of the area. These 600 jobbers for the most part supply the 30,000 odd retail outlets already mentioned.

Jobbers of fruits and vegetables are in turn supplied by wholesalers of whom there are in greater New York about 250. Most wholesalers are located in a downtown New York section known as the wholesale market for fruits and vegetables. The wholesalers receive and handle about 90% of all of the fruits and vegetables that come into the New York market. Some idea of the volume of this business may be obtained from the statement that not less than 200,000 freight-car lots of fruits and vegetables are shipped into New York annually.

The functions of these various classes of dealers are as follows: The wholesalers buy in carload lots and resell in smaller and more suitable quantities to jobbers. The average sale in fruits and vegetables to a jobber runs about one-sixteenth of a carload. The jobber in turn finds a market for his purchase among the retailers constituting his customers, each of whom takes generally not more than one case, basket, or barrel, so that the sixteenth of a carload may be divided among 20 retailers.

The retailer in turn must sell these fruits and vegetables to consumers who, according to the general custom in New York City, purchase in 21- to 25-cent quantities. The purchase of the single case from the jobber is retailed to about 24 customers.

The original carload handled by the wholesaler passes from the wholesaler to about 16 jobbers who in turn sell to 320 odd retailers, who in their turn make sales to about 7,680 retail customers. Thus for each carload there are on the average about 8,016 transactions in which there is some degree of salesmanship exercised and a bargain concluded. Multiplying the total number of car-lots, averaging over 200,000 per year, by the number of transactions of purchase and sales per carload, amounting to 1,603,200,000, gives a dramatic representation of the importance of the marketing and distribution functions in a large city.

All these functions carried on in New York with respect to

fruits and vegetables are similarly carried on with respect to manufactured groceries, meats, dry goods, apparel, shoes, millinery, home furnishings, and so on. The same functions are carried on similarly, in every other city, village, and hamlet in the country.

The distribution of fluid milk is another striking example of the development of a system for carrying a product from the producers to the consumers. Again using metropolitan New York as the example, there are more than 60,000 dairies, scattered over an area with a radius of not less than 500 miles, producing milk to take care of the consumption demands of nearly 10,000,000 people located in the metropolitan area.

The annual consumption of milk in this area is about 1,250,000,000 quarts per year. This supply comes to New York from over 800 milk shipping points, at the rate of from 100,000 to 140,000 cans per day, each can holding 85 pounds or 40 quarts of milk.

Milk is a highly perishable product. Nearly 10,000,000 people expect fresh, sweet milk for breakfast every day, and the system of distribution must naturally provide for prompt shipment and disposal to consumers. Nearly the entire milk supply for New York comes in by rail. It is received at large milk depots and pasteurizing plants and then is redistributed by truck to the various parts of the metropolitan area. Some of these truck hauls, as for example, over into Long Island, Queens, Bronx, and Westchester counties run as high as 28 miles. The truck loads are distributed to supply depots and dealers who in turn must continue the distribution to the homes of the people.

Less than 20% of the total amount of milk sold in New York is distributed in bottles, about 80% is sold from cans, but the tendency is toward increased sale of milk that is bottled.

Some additional knowledge of the problem of distribution of a commodity such as milk may be gained by consideration of the fact that production varies from season to season as

does also consumption. Production of fluid milk is highest in June and declines to a low point in December. The average production per dairy in June is about 260 pounds per day, whereas it is only 140 pounds, a little over one-half as much, in December. On the other hand, while consumption of milk falls off somewhat in the winter time, the variation in consumption is not so great as that of the production of the dairies, so that the distribution system for milk must reach out farther and take in more dairies through the winter time than during the summer. It takes 15,000 more dairies to supply New York's demand for milk in December than it does in June. These added dairies serving New York during the winter time are forced to find other markets for their milk supply during the summer. Many of them then sell their milk to creameries, cheese factories, and condenseries.

There are also other important variations in the consumption of milk besides those caused by change in seasons. Hot weather always causes the demand for milk to rise rapidly. Meeting this increased demand is one of the keenest problems in milk production and distribution. Weather conditions are carefully studied by milk distributors. Weather bureau predictions are followed carefully and milk shipments regulated accordingly.

The demand for milk also varies according to the days of the week and is especially affected by holidays, week-ends, Jewish holidays, and special events. When any considerable part of the people go out of town for a week-end or a holiday, such as Labor Day, naturally the demand for milk declines very abruptly.

The consumption of cream, buttermilk, and butter also varies considerably from one season to another. Cream consumption rises to a high point about June 1 and then declines very rapidly during July and August but rises again in September. The variation in the consumption of cream is greater than for milk. Buttermilk is largely a hot weather drink; fully

three times as much is demanded and used by consumers in summer as in winter. Consumption of milk and cream is heavier on Sunday than any other day in the week and is lightest on Saturday. The sale of cream also runs about twice as high on Sunday as any other day. The sale of cream likewise increases greatly on days preceding Thanksgiving and Christmas because of its use in cooking and cake making at those times.

All of these problems of consumption must be met by the distribution system. Season, weather, the habits of the people, must be given the utmost consideration.

Functions of Retailing.—Retailing is the last step in the distribution of goods to consumers. There are seven specific requirements for successful operation of a retail business. All seven are absolutely necessary. Competition centers around all of them. These seven factors are as follows:

1. *Accessibility to consumers,* that is, convenience of location. This can be defined only in relation to the type of goods offered for sale, the habits of the people, and the location of other stores.

2. *A satisfactory trading place*—a store that is clean, light, well-ventilated, sanitary, easy to enter, orderly, attractive to the eye, and arranged for easy shopping.

3. *Suitable stocks of merchandise* offering an opportunity for consumer choice, including adequate assortments in proper sizes or quantities, desirable quality, dependability, suitable styles in line with current fashions and at prices which customers expect to pay.

4. *Service* offered and rendered to customers. There is considerable variation in types of service rendered by different types of stores, extending from credit granting, delivery, use of telephones, return and exchange privileges, to cash and carry or even self-service. Some customers prefer full service, while others are content with less or none at all. Promptness of at-

tention and dispatch in completing the transaction as well as safe and neat packaging of goods are elementary but important services required in every type of store.

5. *Personal relations* of the store employees toward customers, including not only promptness of attention but also courtesy, interest, friendliness, and honesty.

6. *Reasonable prices* are, and must always be, an important factor weighed not only against the other factors the store has to offer but against competition as well.

7. *Sales promotion* includes all methods and devices for giving the public information about the goods and service offered. It includes diligent and effective use of display, advertising, and salesmanship.

These seven requirements are fundamental to successful operation of a retail store. Providing these requirements effectively and at the same time economically, constitutes good management in retailing. Good management prevents leaks and wastes and secures adequate results from expenditures. Proper performance of each of the seven functions of retailing is the purpose and end of good management.

Failures in retailing are invariably due to faults in some one or more of these seven requirements, such as: wrong location; unsatisfactory store; merchandise which is not wanted; service policies that are not satisfactory to consumers, or, if desired by some, are not desired by enough to support the store; unpleasant, discourteous, or dishonest store people; prices too high; and inadequate or ineffective sales promotion.

Failure to provide any of the foregoing conditions—allowing leaks or wastes in operation, careless buying, deterioration in goods, unwise credits, expenses out of line with sales, starting with insufficient capital, inadequate experience or personal unfitness for the work—all result in failure to perform the functions of retailing in an effective, economical way, and final loss to retailers themselves.

The retail store that can best fulfil these seven requirements

is best fitted to survive. Every innovation in retailing is a direct effort at improvement of one or more of these points. Mail order houses give customers in villages and country a greatly improved and extended list of goods to select from, liberal policies of guarantee and exchange, courteous correspondence, and reasonable prices. Department stores offer the public great convenience in central location, many lines of merchandise under one roof, extensive lines of merchandise to choose from, liberal service policies, and standard fixed prices.

The chain store system likewise aims at fulfilling these seven requirements in as satisfactory a way as possible. The rapid growth of the chain idea attests its success in accomplishing this purpose.

Classes of Retailers.—Retail stores may be classified according to lines of goods handled, services rendered, territory served, and ownership or control. Such classifications have many uses. Classification in general helps to make the subject clearer, in this case, to make the manifold variations of retailing more intelligible. A classification by ownership may be used as a basis for tracing the tendencies toward consolidation or concentration. The classification by lines of goods handled or by services rendered represents the points at which stores come into direct contact with the consuming public. Both indicate the wide variety of retail stores with which consumers come in contact and the wide variety of goods and of services wanted by consumers.

Classified by Goods Handled. According to merchandise carried, retail institutions may be classified in the familiar way as groceries, meat markets, dry goods stores, drug stores, hardware stores, furniture stores, and so on. These stores or shops are usually, although somewhat inaccurately, called one-line stores. Their distinguishing characteristic is the fact that they carry limited lines of related goods. The U. S. Bureau of the Census of Occupations lists 47 distinct varieties of retail

shops classified in this way and adds a final "Miscellaneous" group in which many minor lines of retailing are bunched together. There are probably more than 100 distinct types of retail stores actually in existence.

The classification of retail stores by kinds of goods carried also includes general merchandise stores, department stores, and specialty shops.

The *general merchandise store* is the old-time typical small-town retail institution selling groceries, dry goods, apparel, farm equipment, and other lines of merchandise needed by country and village trade. The general merchandise store is giving way to the departmentized store on the one hand and to one-line or specialty shops on the other.

The *department store* may be considered either as a general merchandise store enlarged and subdivided into merchandise departments or as several one-line specialty shops brought together under one roof.

The term, *specialty shop,* is usually applied to a store that handles but a limited line of goods such as women's apparel, accessories, millinery, or shoes. The term distinguishes this type of retail store from department stores which carry a great number of lines of goods. At what size a specialty shop ceases to be such and begins to be a department store cannot easily be defined. In common usage a retail store with 20 or more departments dealing in apparel, dry goods, and general home furnishings may certainly be called a department store, whereas a retail store with less than a half-dozen departments can ordinarily be called only a specialty shop. Between these extremes one may find the two terms applied rather loosely and indiscriminately.

There is a growing tendency for departmentization or classification of merchandise. A large number of so-called single-line stores and specialty shops are taking on more and more of the character of department stores; thus, a leading

drug store has 14 departments, a well-known grocery store has 8 departments, and a successfully operated women's apparel shop divides its merchandise and merchandise operations into 6 departments.

CLASSIFIED BY SERVICES RENDERED. According to services rendered, retail institutions may be classified as automatic vending, self-service, cash and carry, limited service, and full service stores. This classification may also serve to cover such varieties of retail stores as "drive-in markets," "rolling stores," house-to-house selling or canvassing, telephone selling, and mail order houses.

Automatic vending includes the familiar penny gum machines and extends to such institutions as "automat restaurants." Cigars, cigarettes, confectionery, soft drinks, and an ever-widening list of other items are widely sold through vending machines. The mechanical "Robot" of recent invention sells its merchandise and completes each transaction with a phonographic "Thank you." It is believed that automatic vending offers possibilities of extensive development in the future. There are some who go so far as to say that automatic vending will absorb a good share of the retail business within staple lines within the next few years.

House-to-house or direct selling is retailing but of quite a different type from that carried on in retail stores. There are two methods of this form of selling, namely, peddling and canvassing. The peddler or huckster goes from house to house or from customer to customer, solicits purchases, and makes immediate delivery from the pack that he carries, from his pushcart, his wagon, his truck, or his fancy "rolling store" on wheels. The canvasser solicits orders but does not deliver merchandise sold until a later date. The peddler carries his stock with him. The canvasser carries only a sample or a prospectus to show to the customer from whom he hopes to receive an order for future delivery.

The *mail order house* is a type of retail institution which takes its name from the fact that its business is secured by advertising, through circulars and catalogs, nearly always sent through the mail. Orders are likewise filled and shipped by mail, express, or freight.

Self-service stores of the "Piggly Wiggly" or "Groceteria" type, cash and carry stores, and stores that give varying degrees of service in such things as charge accounts and deliveries, are probably familiar to all readers. "Drive-in markets" are recent developments permitting motorists to drive into the market or store, shop, and make purchases without leaving their cars. Each of these classes of retail stores will be fully described in later chapters.

CLASSIFICATION BY TERRITORY SERVED. According to location or territory served, retail stores may be classified as:

1. Small-town stores, located in villages and hamlets of small population.
2. Rural center stores, which may be located in small or medium-sized towns, but which draw a trade from a wide radius.
3. Central large city stores, usually department stores or specialty shops, drawing trade from large populations scattered over wide territories. Much of such trade comes from transients.
4. Suburban stores, located in shopping or trading centers in suburbs surrounding larger cities.
5. Neighborhood stores, located outside of the trading and shopping centers in the resident districts of the larger cities. Neighborhood stores ordinarily draw their trade from people living close at hand.

CLASSIFIED ACCORDING TO OWNERSHIP. According to ownership, retail institutions may be classified as independent stores, branch stores, chain stores under central ownership and control, chains made up of independent stores tied together

by contracts or licenses and in some degree centrally controlled but not centrally owned, and consumers' cooperative stores.

The independent store is a single store owned by an individual, a partnership, or a corporation organized as a unit to conduct a retail business and without other dominating affiliations or functions.

Branch stores are retail stores owned by factories or wholesale houses conducted as outlets for their own goods or for the purpose of carrying on experimental sales work. Many industrial concerns, mining companies, factories and saw-mills, located at a distance from good trading centers conduct retail stores for their employees. These are known as industrial stores.

A chain store system, technically, is two or more stores owned and operated as a unit. Chains may obviously be owned by individuals, partnerships or corporations. They may be engaged solely or primarily in the retail distribution of goods or may be branch outlets of manufacturers or wholesalers.

In recent years chains made up of unit stores independently owned but in varying degrees centrally controlled and managed, have come into existence. Such aggregations are held together by contracts or by licenses. To this classification the term "voluntary chains" has been applied. Such organizations are in some cases groups of retailers without other affiliations. In other cases the groupings are made with wholesalers or even manufacturers. In still others the contractual arrangements are made with private business interests established to organize such groups.

Consumers' cooperative stores differ from the foregoing in that the ownership is vested in a society of consumers rather than individuals, partnerships, and corporations seeking purely private gain. The organization is usually corporate, but participation in profits is usually made on the basis of purchases of the members rather than on the amount of capital held by each.

In the following chapters each of these types of retailing institutions will be fully described, their operations analyzed, and trends of development indicated.

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CHAPTER II

THE CONSUMER

The Rule of the Consumer over Retailing.—The function of the retail store is to provide its customers with the goods they want—when, where, and how they want them. Efficiency in retailing consists in furnishing this service satisfactorily and economically. This service must be satisfactory to the consumer in order to gain his goodwill, and it must be economical in order that it may not cost the consumer any more than is necessary. The concerns that can perform this service most economically are able to reap the greatest net profits. Progress in retailing should lead continually to better and better service at lower and lower costs to consumers.

Power of the Consumer.—The consumer ultimately determines what the retail store and its service shall be. What may seem very satisfactory and most economical to the retailer, may not be at all satisfactory to the consumer. The best-planned system of retailing from a theoretic standpoint might not be suitable for a given community simply because the consumers there might not be ready to appreciate it as such. There must be development on both sides in order that the system of distribution may progress. The consumers' point of view is fundamental. It may be changed and is constantly changing, but unless the retailer is able to make his business accord with it, he stands little chance of continuing in business. In fact, it may be asserted that success in retailing depends entirely upon finding out what the people want and then performing that service for them as economically as possible.

What Consumers Want.—Consumers' desires are founded in deep fundamental cravings such as are necessary to exist-

ence. The commodities and services that satisfy these wants constitute the necessities of life. Among these fundamental wants are—

Hunger for food and the requirements for clothing and shelter so far as these supply protection from the elements and a means of continued existence.

Affections for the opposite sex, for companionship and friends, which find expression in desires for goods that are pleasing or protecting or of benefit to others.

The desire for self-expression which extends—in various degrees in different individuals, and at different times in the same individual—from a mere desire for recognition from others, to attempts to gain approval or domination over other persons. The purchases of clothing, automobiles, and home furnishings are constantly influenced by consideration of the effects of such goods on other people.

The innate tendency of curiosity which leads to the choice of goods to see what they are like and what satisfactions they may produce.

Desire for play, sport, and adventure; desire for manipulation, construction or creation of articles of various kinds; desire for the beautiful.

Throughout the entire gamut of human desires there runs the continuous want to own whatever may appear attractive or gratifying in the satisfaction of our desires. The desire for ownership is likewise expressed in efforts to make more money, or a deep interest in that which may assist in making more money, as well as in methods of saving.

Standards of Living.—The satisfaction of the fundamental hungers, listed above, is always and everywhere modified by many other factors, among which perhaps the most important are the current standards of living. By standard of living is meant a customary or habitual scale of living, which includes certain requirements both quantitative and qualitative

and, therefore, certain expenditures for the various types of commodities that enter into consumption, such as food, clothing, housing, house operation, home furnishings, personal expenses, amusements, and so on.

Standards of living vary enormously, because of differences in wealth and income, that is, purchasing power; size of families to be supported by individual family incomes; differences in education and social environment; and so on. Within a community at any given time the chief reasons for differences in standard of living are the differences in income and differences in the size of family. As income goes up the standard of living rises almost invariably and in direct proportions to increases in income where size of family remains the same. Under static conditions of family incomes, the larger the family the lower the standard of living.

In any community of large population composed of people of wide diversity in income as well as variations in family life, wide differences will be found in the standards of living. Though these differences grade upward and downward without boundary lines or demarcations, it is a matter of convenience to classify them, and though the various standards of living so classified may not have definite boundary lines and do overlap each other they are nevertheless fairly well-defined in at least general characteristics.

In the author's work on "Economic Principles of Consumption," ten grades or classes of standard of living were defined and described. For present purposes their enumeration may be sufficient.

There are outstanding indications that most of the people of the country tend to group themselves together in rather definite classifications with standards of living of marked characteristics. It is not enough to classify consumers into two or three groups. That is only a beginning. There are at least ten different planes of consumption among the masses of the coun-

try, each characterized by different standards of living. The standards are so distinctly different that they may be defined and designated by name. They are as follows:

1. Public and semi-public charges, dependent entirely, or nearly so, upon public or private charity.
2. Work-shy, tramps, hoboes, and incompetents who are partly self-supporting and partly parasitic.
3. The poverty standard of living in which family life begins but which is not fully self-supporting. In case of illness or mishap such people fall below the poverty line and must have the help of charity to exist.
4. The bare subsistence level, the lowest standard of living above the poverty line. There is not much leeway in this standard of living for expenditures in any line. Every dollar must be made to count for the absolute necessities of life.
5. Minimum standard for health and efficiency. This is sometimes called the minimum American standard and represents what, in the opinion of many students and social workers, should be the minimum for all people in the country. Great masses of unskilled labor families are to be found in this group.
6. The minimum comfort standard of living. This is the typical standard of living of the semi-skilled industrial workers in our factory cities and of the majority of the farmers living out in the country.
7. The comfort standard of living. This is the standard of skilled workers and lower paid salaried workers.
8. Moderately well-to-do standard of living. This includes the masses of better paid salaried workers, professional people, and smaller business people.
9. Well-to-do standard. This includes the more successful professional classes, higher business executives, and successful business owners.
10. The liberal standards of living, among which there are several grades, including all families whose annual expenditures range from $10,000 a year and up.

The proportions of expenditures for each division of the necessities of life run through these various standards of living as follows:

The expenditures for food range from 45% and up of the total expense in the bare subsistence level and then moves by regular gradations downward through the following standards of living to less than 20% in the liberal standards of living.

The proportion expended for clothing apparently begins at about 12% in the bare subsistence level, moves gradually up to from 20% to 22% in the moderately well-to-do standard of living and then gradually declines again in the higher standards.

The expenditures for housing, fuel, and light and other items of house operation maintain a fairly even relationship to total expense throughout all standards of living, amounting to about 20% of the total.

Furniture and home furnishings in common with miscellaneous items such as toilet goods, jewelry, musical instruments, radio, automobiles, amusements and vacations, travel, insurance, health maintenance, and so on, range from less than 24% in the lowest standards of living by gradual degrees upward to more than 50% of the total expense in the higher standards of living.

The kind of trade that any retail store may carry on is obviously dependent upon the specific standards of living of the people constituting its clientele, and probably but few retail stores are effectively able to serve more than two or three standards of living levels. Promoting a retail business reaching for trade at many different levels becomes a very complicated and difficult proposition.

Variations in Standards of Living According to Incomes.—As already indicated, standards of living vary mainly in accordance with incomes and size of family. The effects of these two factors on the standard of living may be described

by means of a table showing the approximate incomes required to support various standards of living under ordinary urban American conditions.

From Table 1 it may be seen that various standards of living are possible under the same incomes due to differences in size of family. A single individual may maintain a fairly high standard of living at a sum which would provide a very low standard of living for a family. An individual with an income of $1,800 a year may enjoy a moderately well-to-do standard of living. A man and wife living on the same income would have a comfort standard; a man, wife, and one child on the same income would have a standard classified as minimum comfort; a man, wife, and two children would have a minimum standard for health and efficiency; and a man, wife, and three children would get no more than a bare subsistence out of this income.

Consumer Demand Modified by Age of Consumers.—Under most circumstances, demands for goods come only from adults or persons above the ages of childhood. Parents select goods not only for themselves but also for their children. This is the rule the world over. But in this country there are several

TABLE 1. APPROXIMATE EXPENDITURES REQUIRED TO SUPPORT VARIOUS AMERICAN STANDARDS OF LIVING UNDER URBAN CONDITIONS[1]

(Costs and dollar values as of 1929)

Standards of Living	Individuals	Man and Wife	Man, Wife and 1 Child	Man, Wife and 2 Children	Man, Wife and 3 Children
Bare subsistence	$ 600	$ 900	$1,200	$1,500	$1,800
Minimum for health and efficiency	800	1,200	1,500	1,800	2,100
Minimum comfort	1,000	1,500	1,800	2,100	2,400
Comfort	1,200	1,800	2,200	2,600	3,000
Moderately well-to-do	1,800	2,700	3,200	3,700	4,200
Well-to-do	3,000	4,500	5,500	6,500	7,500
Liberal	5,000	7,500	8,700	10,000	12,000

[1] From P. H. Nystrom, Economic Principles of Consumption, page 302.

notable exceptions. Children of foreigners learn the English language much more quickly than their parents, and hence frequently serve as interpreters for the family. They begin to read the English advertising, study the goods at the stores, and are influenced by fashion changes more quickly than are their elders. To some extent, children thus buy or influence the buying, not only of goods for themselves, but also for their homes.

The declining size of the American family is a tendency of interest to distributors of goods, particularly retailers, in that fewer children per family generally means lower sales of children's goods, but more attention to the purchases of each child's needs. This attention takes two forms, first to supply all its needs and demands much more completely than could otherwise be possible, and second, to give more freedom to the child to satisfy its own demands. The fewer the children, the more the money for each child to spend. In consequence, children of native-born parents, especially, begin to demand and to buy goods of a great variety at an early age.

Children's movements such as "Boy Scouts," "Campfire Girls," marble playing, baseball, roller-skating, and so on, sweep over a town with remarkable rapidity, simply because the wherewithal to supply the necessary material equipment is provided to the child by its parents when wanted. The present has been called the "age of the child." Children's wishes and welfare are considered as never before. This should be a matter of significance to the retailer in making his plans.

On the other hand, the declining size of the family, the declining death rates, and the restrictions on immigration, are having the effect of increasing the proportions of older people in the American population. Any analysis of merchandising opportunities in typical American communities must increasingly take these changes in age levels into consideration. The store must be arranged to show its goods in a way to appeal to the age of people who constitute its customers. What suits

one age may not suit another. The effect of such major changes in population on the markets and merchandise of this country is much greater than is generally realized.

Consumer Demand Modified by Sex.—Sex makes a great deal of difference in demand, not only in the obvious differences in the goods used, but also in the manner in which the goods are bought from stores. It is commonly asserted that it takes more time, and that it is more difficult to please and to sell to women than to men. It is probable that many of the differences that have been pointed out between the sexes in their buying habits are exaggerated, but there are certainly differences that need to be noted.

A generation ago, women's time was so completely taken up with the household industries in the home, many of which are now performed in factories, that they had very little time to spend in shopping. In those days men did much of the buying for their families. Now this practice is quite reversed. Women have been set free from a great deal of the arduous hand labor characteristic of the past, and have become purchasers rather than producers of the products needed in the home. It has been estimated by a number of people that 85%, or possibly more, of the goods used in the home are now purchased by women. This applies not only to goods used by the women themselves and by children, but also to foodstuffs and house furnishings. Even men's clothing, particularly furnishings, are purchased very largely for them by women.

In a survey made by the Research Department of the Crowell Publishing Company covering 11,000 retailers, it was found that women influence the purchase of:

62% of all hardware
84% of all drugs
90% of all automobiles
98% of all household supplies
97% of all groceries
77% of all sporting goods
61% of all men's haberdashery

Advertising to women, according to this statement, increased 64% in the period of four years from 1921 to 1925.[2]

In another survey, widely quoted, recently conducted in twelve kinds of retail stores and departments in New York City, it was found that women customers outnumbered men in all lines except automobiles and hardware. The following results were reported:

Type of Store	Per Cent of Purchases	
	By Men	By Women
Drug store	22	78
Department store	18	82
Grocery store	19	81
Silks	2	98
Pianos	22	78
Leather goods	33	67
Automobiles	59	41
Hardware	51	49
Electrical supplies	20	80
Men's socks	25	75
Jewelry	10	90
Men's neckwear	37	63

All of such figures are, of course, merely samples or estimates. Conditions might vary extensively in different localities. It is certain, however, that women are everywhere highly important in the choice and purchase of consumer goods. Even where men actually close the transactions women's tastes and desires are widely consulted. This is particularly true for house furnishings of all kinds, musical instruments, radios, and automobiles. Even gasoline is now probably sold almost as generally to women as to men. The woman is in a very real sense the purchasing agent for the American home. Retailing must take this into account.

[2] *Woman's Home Companion*, June, 1926.

Selling to Women.—Women are frequently harder to sell to than men. As a rule they take more time to shop than men do. Practice in looking over stocks of goods affords them much real enjoyment. Most women like to shop, whereas only a few men, relatively speaking, enjoy it. In their buying, women, as a rule, rely more than men do upon their own senses and less on brand names. Goods, to find a ready sale to women, must look good and feel satisfactory. Smell and taste, if a quality of the merchandise, must also suit. Women read descriptions and note details more carefully than men do.

The struggle of American families for social place and for more complete satisfaction of a very wide variety of wants causes many women to think more of the pennies than men do. For this reason, sales at reduced and odd prices mean much more to women than to men. The problem of making a little money go a long way under pressure of an increasing cost of living is one that women are meeting by giving more and more careful attention to details in their shopping. Still another factor to be considered is the education that thousands of housewives have had in textiles and foods through domestic science, home economics, and housekeeping courses in schools of all grades all over the country. Such education undoubtedly tends to make women still more critical purchasers, and the retail store must adapt itself to meet this development.[3]

Since women are now the chief customers of retail stores

[3] Other sex differences may be noted briefly as follows: Scientists affirm that women are less often color-blind than men. It is asserted that a woman has a much wider range of vision than a man has. With her eyes fixed straight ahead she observes persons and things farther to the right and to the left than men do. "Women go in flocks, and in social matters are less prone to stand out with salient individuality. They are more emotional, altruistic, intuitive, less judicial, and less able to make disinterested and impersonal judgment. . . .

" 'Women excel in memory.' A woman's thoughts are more concrete and are more likely to relate to practical things of interest to herself. Men theorize and generalize more. Out of 483,517 patents recorded in Washington up to October, 1892, only 3,458 were by women. Women are more tactful and are able to extricate themselves from difficulties more readily than men. 'Old women are likely to be talkative, while old men are glum.' 'Male crime to female is as 6 to 1.' 'She is about as superior to man in altruism as she is behind them in truth-telling, being more prone to ruse and deception.'

"Influence and suggestion are more potent than argument with women. They are more emotional, blush and cry easier; and are more often hypnotized. They have more sympathy, pity, charity, generosity, and superstition." (G. S. Hall, Adolescence, Vol. II, pp. 561-567.)

in practically all lines, the stores must seek to meet women's standards and demands rather than men's. What satisfied men in the past does not wholly satisfy women now. Retailers who have grasped this idea and have made their stores conform to it in such details as cleanliness, fixtures, lighting, decorations, display of goods, and personal service, have reaped large rewards, while those who do not observe these changing conditions pass out in failure.

Consumer Demand Modified by Individual Habit.—Habits of customers are exceedingly important factors in determining how a retail store shall be carried on. We may distinguish between those which many people possess in common and those which belong to single individuals. The first class may be called social habits, customs, and conventions; the second class are designated simply as habits. Of the two classes, the social habits are most important in laying out the plan of a store's work and its general policies. The habits of the second must be dealt with by the individual salesmanship of the retailer and his clerks.

Consumer Demand Modified by Racial and National Characteristics.—Customs depend upon race, nationality, and community. There are national foods, drinks, and clothing. Types of architecture and house furnishings are peculiar to, or at least originate in, certain countries. What one race of people may like, another race may find very distasteful. In a country such as the United States where all races are found, these racial and national variations constitute a big problem for the distributor.

For example, the French people eat little or no cereal for breakfast. For them breakfast foods have no appeal. Sour-tasting foods are much favored by the Germans. The English are great consumers of tea and biscuits—what Americans call crackers. Olive oil or imitations of it are much in demand among the people from Southern Europe. Every one has read

and heard of the part played in food supply by beans in New England, red peppers in the Southwest, corn bread in the South, potatoes in Ireland, oatmeal in Scotland, rice in Japan. The usual statements regarding the use of these foods by nations are greatly exaggerated, but the kernel of truth is suggestive to the retailer. A store in a community made up mostly of Germans must offer a different supply of goods and furnish a different service from that demanded by people in communities made up of French, English, or other nationalities.

Community Preferences.—Community habits are of more direct significance still. The resources of the region, the development of social standards of consumption, and the gradual unification of wants according to the class of people found in the community, are factors making for definite lines of merchandising. Country districts differ from small-town communities, and the latter from large towns and cities. The relationship of the store to the community in each case is somewhat different, and the power of the retailer to vary the conditions set before him also differs.

Sectional Differences.—Manufacturers recognize differences in the character of demand in various parts of the country. "Metropolitan" and "western" styles are two distinct classes. Groceries, soaps, and so on, are put up in certain ways for "southern trade." Maps might be made of the country showing divisions not by states but by parts of the country where various kinds of goods are consumed. Thus green tea drinking areas would be found largely separated from black tea areas. We should be able to locate sauerkraut areas, corn bread areas, carpet-using areas, rug-using areas, in addition to areas producing specific products used very largely at home. In New York, white eggs are considered the choicest, while in Boston and San Francisco brown eggs are considered most valuable. Corn meal must be yellow in the North, but white in the South. Butter must be more highly colored in the South

than in the North. The demand for apples in the large cities of the East centers on bright red fruit that is rather soft in texture. In some sections of the country fresh beef must be dark; in others light-colored. The extent of such differences and their effects on distribution—matters that are but imperfectly understood at the present time—constitute some of the big problems of the economical distribution of goods.[4]

General Consumer Characteristics.—Notwithstanding the differences, there are a sufficient number of similarities to warrant some general statements. For example, in dealing with the subject, "Consumers' Fancies," a writer in the Year Book of the U. S. Department of Agriculture (1904), pages 434 and following, called attention to certain factors in consumers' demands that will interest retailers, particularly grocers:

"The consumer has a fondness for red, white, and the colorless, and sometimes for yellow when reinforced with large size. Gloss, polish, and luster are wanted. Things should be large, and when applicable, of plump appearance; they should be uniform in size, shapely, and with ornamental lines. A convenient and showy package is appreciated and a product, trade, or producer's name, once established favorably, catches the fancy of customers often more easily and securely than anything else."

Consumer Demand Modified by Fashion.—Consumer demand is constantly changing. With this fact everybody is familiar. Changes in demand are continuously going on in every line of merchandise used in ultimate consumption. Such changes in demand occurring in lines of merchandise in which beauty or style are factors are termed fashions. While there are changes in fashions in foods, the fields in which fashion is a peculiarly important factor include clothing, home furnishings, automobiles, and other goods used in the presence of and affected by the opinions and tastes of other people.

[4] See P. H. Nystrom, Economic Principles of Consumption, Ch. XIII.

It is essential to distinguish between fashions and styles. A style is a characteristic or distinctive mode or method of expression or conception in the field of some art. Every distinctive product of any art is therefore a style. Some styles become widely copied, whereas others remain but individual expressions. So far as business is concerned, of course, individual styles are largely meaningless. Styles of wide acceptance and use constitute the bread and butter of business.

Fashion is the prevailing style at any given time. Any style, widely adopted, is therefore a fashion as long as its use continues.

To put the matter in another way, a style is a product or fact of art, while a fashion is a fact of social psychology. There are thousands and thousands of styles but there can be but a few fashions at any time.

Fashion is an exceedingly powerful force, dominating consumer demand. In no detail of serving the public is it more necessary for the retailer to meet the wishes of his trade than in supplying them with the merchandise that is in fashion.

The movements of fashion are fairly regular and with a little study may be quite definitely plotted. From such study it is likewise possible to determine the trends of fashion so that merchandising in line with fashions is not, by any means, a hopeless matter.[5]

√ **Outlines of Consumer Study.**—The necessity for retailers to offer what consumers want both in merchandise and service, at the time when they want it, and at prices which they are willing to pay, makes continuous consumer study an essential of successful retailing. The more scientifically such study is conducted, the more accurate and timely the results should be and the more successful the retail business from profiting from such results.

Detailed consumer study must be a matter carried on for

[5] See P. H. Nystrom, Economics of Fashion, Chs. I and II.

individual stores and their individual clientele. Though great similarities may exist from group to group and from community to community the specific characteristics of consumer demand which retailers are called upon to serve vary considerably. Hence consumer study, no matter how thoroughly conducted for one locality, is likely to prove of little more than suggestive value for other localities. The questions concerning consumers to which an individual retailer may properly address himself include the following:

1. Where are the store's customers? Do they live close at hand? Are they widely scattered? Do they follow any particular geographical or periodical boundary lines?

A community map showing the location of the store's customers will answer several other important questions that a retailer might ask. It will indicate what territories are now fully exploited and what other territories remain untouched. It should be a help in indicating where the retailer's efforts for promotion of his business may most profitably be expended.

2. What are the standards of living of the store's customers? By actual numbers and, if possible, by individual families, what are the incomes, the sizes of families, the education and social life and, as a result, the demands for merchandise? Income, size of family, education and social relationships are the basic conditions on which the family budget expenditures are laid out, whether definitely planned or not.

3. What goods do the store's customers buy? When do they make their purchases? How often do they purchase? What are the amounts of their purchases per time and per year? What are the seasonal fluctuations in purchase and use? What are the customary prices paid for goods purchased? Are the buying habits of customers considerably modified by special sales? Are the goods bought in package or bulk form? Are they purchased by brand names or not? By what member or members of the family groups are the goods purchased? What changes are going on in consumer demand for goods pur-

chased? What are the important factors in the consumers' minds that govern their choice of goods as well as their choice of retail stores from which they purchase their goods?

4. Where do the people who should be the store's customers do their buying? What is the type of merchandise and of service offered by competing retail institutions within the community and outside of the community? In what respects may the merchandise or services offered by competitors be improved upon as a means of securing greater trade for the individual store? To what extent do customers distribute their trade among several stores and why? What are the reasons for some part of the consumer trade going out of town? What part of competitive trade may logically and profitably be secured?

5. Finally, what means of publicity are available to the retail store for reaching its prospective customers? What forms of advertising may be profitably used? What display methods may be most effective? What forms of sales promotion will best fit the needs of the store? How shall the store proceed to get the attention and custom of consumers whom the store is best equipped to serve?

The foregoing represent some of the questions which the retail store in its own interest needs to answer. The check-up on consumers and customers of the store should be frequent enough to provide a moving picture of changing consumer demand.

Community studies and consumer analyses are frequently made both by individual retailers and by groups. A technique of consumer study has been fairly well developed. Some of the larger retail stores maintain consumer research activities constantly. A well-known middle-western department store employs several well-trained young women who spend their entire time in visiting housewife customers or former customers of the store, to find out whether their relationships with the store have been satisfactory or not and to collect the reasons for both the successes and the failures of the store. Comparative shop-

ping in competitive retail stores is one means of determining in what respects competitive stores are selling merchandise or performing their service in better ways, but a still more fundamental method is the house-to-house canvass of actual customers, such as that carried on by the store mentioned above. No attempt is made to sell goods on these calls made by consumer investigators but there is a very definite purpose to find out if there are any reasons for ill-will and to help adjust them as promptly as possible.

Other stores, however, through their own executives or through outside research organizations frequently conduct consumer researches both by actual canvass of appointed investigators and by questionnaires sent out by mail. A well-written letter signed by the general manager, president, or owner of a retail store directed to the store's customers is a method that has been frequently used. If the letter has been properly prepared and if the replies are properly interpreted and put to use, this method usually brings a high percentage of replies of great value to the store. The method of sending more formal questionnaires by mail is not generally so effective. House-to-house visits by properly trained investigators, working on a specific set of questions, carefully planned in advance, have been found most useful.

The Merchandise Review.—Instead of direct studies made among consumers or the customers of the store, there is another method of approach to the problems of consumer demand, namely; the merchandise review.[6] The merchandise review attempts to gauge its success in meeting consumer demand by analysis of the store's own records, such as sales by lines and items, summaries of comparison shopping, reports, analysis of customer complaints, and reports of the Bureau of Adjustments, records of slow selling merchandise in reserves, difficulties with defective merchandise and markdowns taken

[6] "Methods of the Merchandise Review," as used in R. H. Macy & Co., described by W. C. Macey in *Dry Goods Economist,* July 13, 1929.

and the reasons therefor. All executives and employees having any contact or relationship with consumers are periodically asked to cooperate by presenting their best thought in the way of suggestions, as to the possibility of improving the store's merchandising functions and service to its public.

As a part of the merchandise review the attempt is made to analyze the store's customers, not only its actual customers, but its potential or logical prospective customers, to determine:

1. The proportions of the total number of the store's customers enjoying each of the various standards of living.
2. The proportions by age classes, whether young men and women or older men and women.
3. The proportions of customers by occupations, whether unskilled day laborers, skilled workers, farmers, office clerks, executives, professional people, and so on.
4. The proportions of customers classified according to interest in new styles and fashions, such as those satisfied with styles when in the middle or late phases of fashion movements, those who are progressive in their tastes, and those who desire the latest style creations.

It may be presumed that most stores are unable to carry such an analysis of its customers further than a rough approximation, but in this direction lies the beginning of scientific merchandising.

In the tabulation of reports giving consumer attitudes on merchandise and service sold by the store, there is need for the application of careful scientific statistical methods of presentation. Some of the recent consumer studies made in the retail field not only attempt listing of consumer opinions and views as to the store's merchandise and services, a qualitative analysis, but also work out tabulations and presentations of consumer information both in relation to relative importance of the views presented and the intensity of consumer feeling upon each view.[7] It may be presumed that, under conditions

of sharpening competition which prevail in the retail trade on every hand, consumer analyses will continue to be made more and more frequently and likewise more carefully.

In the chapters following in this book, many suggestions are made with respect to the importance of consumer attitudes toward the retail store, means of securing knowledge of what the consumers' attitudes are, and likewise means of securing favorable consumer attitudes. This phase of retailing, it is believed, is likely to prove one of the most important and perhaps most productive fields of retail study in years to come.

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[7] J. David Houser, of New York City, presented a method of measuring customer attitudes at the annual convention of the National Retail Dry Goods Association, February 7, 1928. He showed how a carefully compiled questionnaire used by house-to-house investigators might secure reports of attitudes of customers upon all phases of store service and contact with the public. These reports are then tabulated not only to show their relative importance to the success of the store but also the relative intensity of feeling existing upon each point discovered.

CHAPTER III

ORIGINS OF RETAILING

Early Customs.—To understand present institutions it will be helpful to study their origins and developments. Their beginnings lie deep in antiquity. Their customs are in many instances ages old.

Few references to retailing and to trade are found in the literature prior to the nineteenth century. This does not mean that trade did not exist or was not important in the life of the people in past times. Indeed, researches made during the past generation in the histories of ancient civilizations show that trade occupied a very important place in the economic life of nearly all peoples. There have been very few nations concerning which we have any record which have not in some degree enjoyed the benefits of trade.

Wherever there were cities there must have been commerce. Much evidence has been discovered pointing to busy economic life and traits. The direct evidences uncovered in the ruins of ancient cities include the open spaces that once were market places, the porches of buildings that probably served as shops, the buildings that served as warehouses, the earthenware jars used for storing grain and other goods, the weights and measures, the media of exchange, and, last but most eloquent of all, the papyri, the scrolls, the clay tablets, the notched sticks and stones that constituted the bills of sale and the bookkeeping records of transactions.

The city dwellers in ancient times as well as now had to be fed, clothed, and supplied with articles of utility and adornment. How, other than by the mechanisms of commerce, could they have been supplied? It is possible to imagine that self-

sufficient, non-trading life in small villages where each family, while living in a town or walled village for protection from enemy bands and marauders, cultivated its own plot of soil and had its own flocks or shared in some communal way in such crude output of goods as may have been produced by small groups. But in the larger cities, several of which, even in the most ancient times, numbered tens of thousands and in a few cases as many as hundreds of thousands of people, such simple production and distribution is unthinkable. Babylon, Tyre and Sidon, Carthage, Athens, Alexandria, and Rome, to mention only a few of the leading places, were great, populous cities in their times. The necessities of life to support them must have been gathered from wide areas.[1] Alexandria by 320 B.C. had a population of nearly a million people. Rome at the beginning of the Christian era probably had a still greater population. Food supplies and other goods for these cities, as is definitely known, came hundreds and perhaps even thousands of miles.

Goods were gathered from widely scattered small producers, concentrated for shipment, carried over land by caravans, over sea by ships, distributed by importers in wholesale lots to small tradesmen, and then redistributed to consumers at retail. It is more than likely that the first city, wherever and whenever that sort of social group first came into existence, saw the beginnings of importing, specialized production of food, clothing, implements, and articles of adornment, and wholesaling and retailing in some form or other.

Ancient cities, much as modern cities are, were essentially trading centers, serving not only those who lived therein but also the people who lived within their trading radius and territory. Evidence in the earliest written records, supplemented by artifacts and relics of commerce discovered in ancient ruins,

[1] William L. Westermann in an article, "On Inland Transportation and Communication in Antiquity," published in *Political Science Quarterly*, September, 1928, describes the origins and developments in use of horses and camels, rivers, canals, and highways in the early periods of history.

proves that there existed systems of both wholesale and retail trade as far back as known records go.

Internal and external commerce rose and fell with the tides of history. At times, under conditions of peace and favorable government, trade grew to an imposing importance which continued in some cases for centuries only to be followed by long periods of decline, dark ages of depression, in which there was little opportunity for commercial exchange of commodities. One civilization after another rose to prominence and then declined. Many nations became leaders in trade and commerce only to give way in time to others.

Minoan Culture and Trade.—For many years the Phoenicians were the earliest trading people of whom records could be found. However, new records have recently been discovered of a still earlier commercial civilization, probably as great or even greater than that of the Phoenicians and preceding the Phoenicians by several centuries. This civilization, which extended over wide areas of the Mediterranean region and possibly beyond, centered in the island of Crete and is known among students of history as the Minoan or Ægean civilization.

Knowledge about these ancient people and their activities is very fragmentary. It seems certain that they dominated the eastern Mediterranean in the period from about 3000 B.C. down to about 1200 B.C. Direct evidence shows that their power extended to Egypt, Greece, and Italy, and their influence may have extended much further.

The Cretans at this very early period had developed both practical and fine arts to a high degree. They were thoroughly skilled in the manufacture of bronze implements, pottery, statuary, textiles, and in the artistic use of color. They possessed and used a form of picto-graphic writing and a system of decimal counting extending to at least 10,000. Numerous tablets have been discovered which are believed to be bookkeep-

ing records of business concerns. The relics that have been discovered of this civilization indicate that the people possessed an advanced knowledge of the arts of jewelry, cosmetics, and dress. The corset was probably in common use among their women. Head-dresses and apparel styles illustrated in statuary and frescoes show interesting artistic perspectives.

Very little is known of their commercial institutions. It seems certain that in the transaction of their trade with distant lands they must have had trading posts, carried on shipping, and, undoubtedly, had middlemen. It is even likely that they possessed some form of currency. Thus the roots of the systems and institutions of trade are hidden in the dim mists of antiquity.

Phoenicians Control Trade from 1200 to 500 B.C.—The records of Phoenician trading activities have long been available. It is definitely known that an extensive trade was carried on at the eastern extremity of the Mediterranean Sea largely, if not entirely, by the rich, powerful, aristocratic city states of Tyre and Sidon, in Phoenicia. For the hundreds of years extending from 1200 B.C. down to 500 B.C., Phoenician civilization and Phoenician commercial activity dominated the Mediterranean region. Tyre and Sidon were the great market places of the world. Merchants from all nations gathered at Phoenician fairs to buy and sell all sorts of products.

The Phoenicians were a sea-faring people. Their vessels, rigged with sails and oars, carried their merchant adventurers up into the Black Sea to southern Russia, westward along both shores of the Mediterranean to the Straits of Gibraltar, and quite possibly out into the Atlantic Ocean and northward as far as the Scilly Islands and Cornwall, England. It is possible that they may even have penetrated the Baltic Sea region and Scandinavia. They also carried on an extensive trade along the Red Sea and in the Persian Gulf as far as India. Phoenician sailors probably circumnavigated Africa as early as 620

B.C. and, if so, they preceded Vasco de Gama by nearly 2,000 years.

Pack-trains and armed caravans also extended the Phoenician trade to the interior of Asia, Europe, and Africa. At regular seasons every year, Phoenician traders left Tyre and Sidon with valuable stocks of Phoenician products for distant lands in Asia, Egypt, and other parts of Africa, selling their manufactured goods and buying foodstuffs and raw materials needed at home.

The Phoenicians brought tin from the Scilly Islands and Cornwall, England, slaves and furs from Central Europe, wool from Spain, wine, fruits, oil, honey, and wax from Greece and Italy, grain from southern Russia, flax and linen from Egypt, gold, jewels, coral, ebony, ivory, spices, and fine fabrics from the Orient. In return they distributed pottery, vases, bronze implements, jewelry, glass, embroideries, and beautifully woven and dyed fabrics.

In addition to being traders, the Phoenicians were probably the most skilled craftsmen of their day, particularly in metallurgy, glass, wood, and textiles. Their bronze and brass implements, vases, dishes, vessels, statuary, and ornamental work; as well as their work in jewels, precious metals, ivory, and particularly amber; their fine ornamental glass, their carved cedar and oak chests, their beautiful fabrics, robes, and carpets, richly embroidered and dyed in multicolors, and their famous Tyrian purple, came to be known throughout all lands to which their trade extended. Greece, Syria, Israel, and Judah, Egypt, Northern Africa, much of Southern Europe, and probably even Babylonia, looked to and depended upon the Phoenicians to buy their surplus products and sell them goods they could not or did not make at home.

The Phoenicians were of Semitic origin and were related racially to the Arabs and the Israelites. Their religions, arts, and cultures were somewhat the same. It is believed that they originally came from the Mesopotamian Valley or near the

Persian Gulf, where the Israelites also originated. It was also believed for a long time that it was the Phoenicians who gave the alphabet to the Greeks and the western world, but it now seems more likely that the Phoenicians got the alphabet and the art of writing from the Babylonians and merely passed it on to the West. While skilled in many arts and crafts, their genius seems to have been mainly commercial. In their time they were the world's professional traders.

In extending their commerce, the Phoenicians established numerous trading posts on both the north and south shores of the Mediterranean. Among these were Carthage in North Africa, which in time became more powerful than either Tyre or Sidon. Through Carthage a great trade was opened up with Central Africa, Spain, and southern France. Trade routes were established across the Sahara Desert and eastward across the Libyan desert to Egypt and the Red Sea. Rome, which was founded about a hundred years after Carthage, became its chief commercial and political rival. Carthage was finally destroyed by the Romans in 149 B.C., and the Carthaginians were swallowed up in the Roman Empire.

The Phoenicians scoured the known world of their times for business. They supplied ships for neighboring states. They built and manned fleets alternately for the Egyptians and the Babylonians when the latter penetrated to the Mediterranean. They supplied many of the materials, such as the necessary metals and cedar and fir from the Lebanon mountains, for the construction of public buildings in Jerusalem, including a palace for King David and a palace and a great temple for King Solomon. From obscure references in the Old Testament it is also possible that the Phoenicians helped build the wall around Jerusalem and also a number of towns established during Solomon's time.[2]

Hiram, King of Tyre, with whom Solomon dealt, supplied the architects, artisans, and skilled workers as well as the mate-

[2] I Kings Ch. ix, 1-28.

rials, the wood, brass, gold, and probably much of the silver, and jewels used in the construction of the temple. This marvelous building is picturesquely described in I Kings vii and in II Chronicles v. In style of architecture and furnishings it was probably essentially Phoenician.

Hiram of Tyre and Solomon maintained a highly friendly and neighborly relationship. Hiram built Solomon's palace, the temple, and probably other public works. Solomon paid Hiram for these services in raw materials such as wheat and oil and also some territory including twenty cities which, after he had looked them over, Hiram considered as a rather bad bargain. Solomon was evidently as good at bargaining as his great Phoenician neighbor.

The Israelites were, during most of their existence as a nation, confined to the Jordan Valley and its environs. During Solomon's reign, its rule was extended to the Mediterranean and even to the Red Sea. With Hiram's help Solomon built a navy and Hiram even supplied the seamen, for the Israelites had had no experience with the sea. Later a daring adventure was carried out cooperatively. Solomon's navy, with Hiram's assistance, was sent to Ophir, which may have been India. The venture turned out very successfully. Rich cargoes were brought back, but whether the result of freebooting or of peaceful trade is not revealed. Frequent references in the Bible indicate that the Hebrews and Phoenicians got along very well for two or three centuries. Hebrew writers described the Phoenicians as merchant princes, honorable traders, and wisemen.

After the return of the Jews from captivity under the Assyrians, the temple was rebuilt. As in the first instance, Tyre and Sidon were called upon to supply materials.[3]

The Phoenicians must have been adept in the arts of diplomacy as well as in trading or they could not have continued as leaders of the Mediterranean carrying trade as they did for

[3] Ezra Ch. iii, 7.

hundreds of years. They were equally successful in dealing with the proud and quarrelsome Greeks to the north, the well-established, self-centered Egyptians to the south, the ancient civilizations of the Euphrates Valley to the east, and the haughty, austere Romans to the west.

These friendly relations suffered somewhat during the period of Assyrian rule over Palestine from 876 to 605 B.C. The Jews were conquered, but the Phoenicians, while very much harassed by Assyrian war lords, were able to maintain their identity. During this period the Jews became somewhat sensitive toward their old neighbors. Tyre was accused of sneering at Jerusalem and this brought down direful maledictions and the prophecy of awful destruction by the prophet, Ezekiel. Some years later in the sixth century B.C.,[4] Tyre was destroyed by Nebuchadnezzar the King of the Chaldeans.

However favorable the Jews may have felt toward the Phoenicians, it is certain that the Greeks always held very critical ideas about them. Homer in the Odyssey, Book XV, said:

"Thither came the Phoenicians, mariners renowned, greedy merchant-men with countless trinkets in a black ship. . . . They abode among us a whole year, and got together much wealth in their hollow ship. And when their hollow ship was now laden to depart, they sent a messenger . . . There came a man versed in craft to my father's house with a golden chain strung here and there with amber beads. Now, the maidens in the hall and my lady mother were handling the chain and gazing on it and offering him their price."

Later Greek writers dwelt on the bad reputation of the Phoenicians, their thievery, their kidnaping, their lying, their dishonesty, and so on. It may be presumed, however, that in their early contacts the Greeks possessed neither the ability, culture, knowledge, nor experience of the Phoenicians. As has always happened in racial contacts representing different cul-

[4] Ezekiel Chs. xxvi, xxvii, xxviii.

ture levels, the people of the lower culture were probably badly exploited by the Phoenicians, with the result that strong feelings of enmity and prejudice were established in the traditions of the Greek race. These prejudices were never entirely removed, even when Greek civilization had risen to a place of dominance over the Phoenicians.

The Greek writers, however, never held trading in high esteem. All commerce was held to be more or less immoral and this view may have helped to influence their attitude toward the Phoenicians, or, perhaps, it was their inferiority to the Phoenicians in matters of trade that led to their general expressions of disdain about commerce.

Ancient Greek Trade.—In the earliest history of the Greeks they were essentially a pastoral and agricultural people who lived on the products of their flocks and fields. Trade to them was quite insignificant, and was probably carried on mainly by the Phoenicians.

About 600 B.C., however, Greek economic development had reached a point of surplus production so that trade with other people began to be highly important, but, for some time, the actual shipping and trading continued to be carried on by Phoenicians and other Asiatics. The surpluses consisted largely of pottery, fabrics, leather, bronze goods, dyes, silver and gold articles, jewelry, wine, and ships.

With the continued growth of population, the time came when Greek agriculture no longer provided sufficient foodstuffs for the growing cities. To provide the necessary grain an extensive commerce developed, particularly with nations to the north in what are now the Balkan countries and southern Russia. Merchant adventurers came into existence in the Greek cities to exploit this trade. An extensive merchant marine was developed by private individuals. As the Greek merchants began to rise, the Phoenicians began to decline.

Greek vessels carried Greek products to distant lands and

brought in return food supplies such as grain, cattle, fish, and honey, and other raw materials. Both Athens and Corinth became great importing centers for grain from southern Russia. As a means of completing the distribution of these foodstuffs and other products to the consumers there grew up a very complete network of retail grain dealers, bakers, and other retail shops in all of the Greek cities.

Greek traders and entrepreneurs made their appearance in all centers of trade. They bought from and sold to the Egyptians, the people of Asia Minor, Europe, and all along northern Africa. Wherever there was productive enterprise, Greeks came to participate. Greek traders were ubiquitous.

Gradually, Greek trading in other lands led to the establishment of permanent trading posts with regular visits of Greek ships. Some of these places became prosperous Greek colonies. By 300 B.C., there were scores of such places scattered all around the Mediterranean and the Black Seas. It was the strength of these commercial colonies which supported Greek leadership for a long time in spite of the lack of a central Greek government or empire. Up to the time of Alexander the Great, it was the merchant marine that had held back enemy invaders. It was the mercantile power that had been used to smash the Persian armies and navies and to repel the attacks of other enemies.

Despite the importance of trade in Greek life the ancient prejudice against trade continued through the entire period of Greek influence. Trade was looked down upon as something beneath the participation of a gentleman. Land-owning and agriculture were always given a higher social rating. Very few merchants were allowed high position in Greek public life, particularly in the early centuries. A notable exception, however, was Solon, the Athenian law giver, who for many years prior to his public work was engaged in mercantile pursuits. Most of the Greek statesmen were either land-owners or mili-

tary leaders. Many of the small retail shops, even in inland Greek cities, were carried on by aliens and freed slaves.

Despite the fact that the Greeks showed great enterprise in commerce and dominated the trade of the Mediterranean regions for some centuries, the Greek nation as a people never gave to trade a highly recognized position in its social life. The Greek city governments discouraged rather than encouraged traders. They frequently placed harassing restrictions and inordinate taxes of various kinds upon them. For many centuries the traders probably had but small share in government. Greek writers generally followed the social ideals of their time in frequent disapproval of trade and its practices. Only through the logic of necessity and after long ages did Greek statesmanship finally become converted to the economics of commerce. By that time the Mediterranean world was largely under the dominance of the Roman eagles.

It is interesting to note that Plato, in his description of an ideal government in the "Republic," recognized quite definitely the necessary contribution of trade to public life. In his description of an ideal city he urged the establishment of a market place, of a standard money system, and of buying and selling. Plato's suggestion that those unfit for other occupations should be the bankers and retailers, however, is not altogether flattering. He says:

"For there are some who devote themselves to this service and in well regulated cities they are chiefly such as are weakest in body and are unfit for any other work. These then should attend about the market to give money in exchange for money to such as want to buy. It is these that provide our cities with a race of shopkeepers, for do we not call those shopkeepers who sit in the market and serve both in selling and buying? Whereas such as travel to other cities we call merchants." [5]

[5] The term, "race of shopkeepers," was probably used in a slightly derisive sense. It has since been used many times, sometimes derisively and sometimes in a complimentary way, particularly as applicable to England in modern times. Dean Tucker of Gloucester used the term in a tract published in 1766. See also Adam Smith in his "Wealth of Nations," Book IV, Chapter 7. Napoleon Bonaparte referred to the English contemptuously as a nation of shopkeepers.

Early Roman Trade.—The early Romans were like the ancient Greeks in that they were largely a pastoral and agricultural people living self-contained existences, selling and buying but little. For a short interval of Italian history, about 600 B.C., Rome was ruled by an aggressive race of people known as Etruscans whose concepts of the advantages of trade were much in advance of those of their Italian contemporaries. While the Etruscans dominated Rome, commerce spread rapidly in all directions. Trade was carried on with Greece, Egypt, Asia, and Carthage, and the Roman market places and retail shops were rich with oriental merchandise. The Etruscan period seems to have been one of great wealth and prosperity while it lasted, but it could not be maintained under the constant attacks of the more savage Latin tribes.

Retail Trade in the Roman Empire.—The Latins were never great traders, but in the development of their political and military policies they opened the way for trade. In all stages of Roman life much of the commerce, both wholesale and retail, of the Roman Empire was carried on by Greeks, Phoenicians, Syrians and other Asiatics and even by Carthaginians. The Roman aristocracy was founded on land-ownership and the Roman patricians were inclined to look upon trade with disdain much as the Greek landlords had done. Unlike the Greeks, however, the Romans generally placed fewer restrictions on trade and did more to help it than did the Greek cities.

The attitude of the aristocratic Roman toward the trading class may be illustrated by the following statement from Cicero:

"All retail dealing may be described as dishonest and base, for the dealer will gain nothing except by profuse lying and nothing is more disgraceful than untruthful huckstering."

Despite such snobbish and critical views of traders, commerce of all kinds occupied a very great place in the life of the people of Rome and its dominions. Mercury may have been the

Roman god of thieves but he was also the god of trade, and his votaries in the more peaceful activities of trade were legion.

The knowledge of Roman life among historians is such that a fairly complete picture may be presented of retail trade as it was carried on in the principal cities of Italy during the period of the Roman Empire.

"Shops abound almost everywhere. In the great commercial quarters by the fora, the Tiber and the Campus Martius, will be found the splendid establishments which cater to wealth, but no quarter of Rome is too mean for its bakeries, vegetable stands, wine shops, and cheap restaurants. In fact, the absence of a speedy means of interurban communication makes a multiplication of small shops absolutely necessary." [6]

Farther on, Rome is described as "a wilderness of shops, . . . Hardly a street but has grocers' stalls; the terra cotta plaque with a goat, the sign of a milk dealer; the stone relief of two men tugging a great jar slung up on a pole, the sign of a wine shop." [7]

Certain sections of the city were devoted to trade in certain classes of goods. "The fashionable fish-mongers have their odoriferous stalls under the great porticoes and basilicas by the fora; the fruit sellers are along the ascent from the Old Forum, while jewelers, goldsmiths, and makers of musical instruments, as well as the great bankers, have their headquarters directly along the Sacred Way itself. Perfumers' shops were concentrated under the southeast brow of the Capitoline Hill.

"There were two shopping districts outside of the fora for cheap trade, where elbowing plebians struggle for bargains. The little shops are wedged all along the swarming Tuscan Street (Vicus Tuscus)—but for the more select purchases high-brow ladies and gentlemen order their litters to take them north and along 'Broadway' (Via Lata) where by the Saepta

[6] W. S. Davis, Day in Old Rome, p. 18.
[7] *Ibid.*

Julia and the vast series of porticoes adjoining or opposite were the finest retail shops in the entire world at the time." [8]

The retail shops in Rome were usually very small. Most of the goods offered for sale were upon counters facing the streets. The shops were generally presided over by the proprietor and his wife with the occasional help of a slave or two.

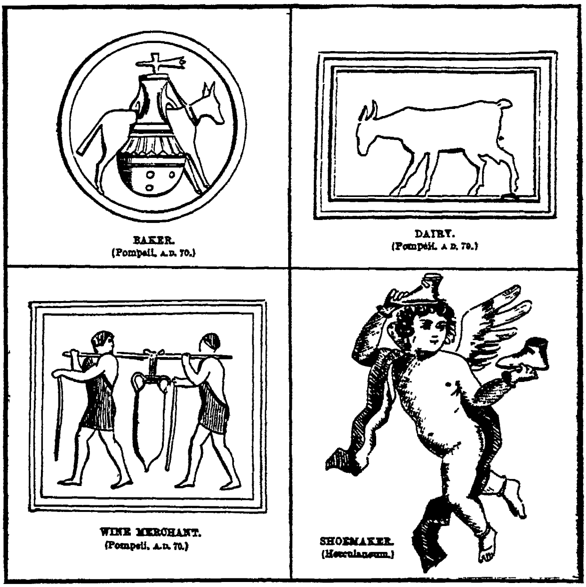

Figure 1. Signs of a Baker, a Dairy, a Wine Merchant, and a Shoemaker in the First Century A. D.

From "The History of Signboards," by J. B. Larwood and J. C. Hotten: Chatto & Windus, London.

The shopkeeper usually lived in a room or rooms back of or above his stand. Manufacturing was carried on in the same establishment. Shoes were sold at the front while the cobblers were at work making them in the rear, and similar arrangements held for pottery, jewelry, fabric, clothing and other wares.

At night and on holidays heavy shutters were set up to

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[8] *Ibid.*

protect the shops against thieves. The shutters were always so conveniently arranged as to be closed easily in case of street riots. A street brawl was always accompanied by a clatter of rapidly closing retail shops. When the row was over the shutters would again be cautiously removed.

It seemed to have been a custom among these Roman shopkeepers to cry out their wares to induce prospective customers to buy. With long rows of competitors' shops, what a hurly-burly must have presented itself to the visitor of the retail markets!

Shopping was a well-established custom and the retail sections were usually crowded during the day-time. Hucksters and peddlers thronged the streets much to the discomfiture of owners of shops. Various efforts were made to confine the retail trade to resident dealers. The license system was in common use to limit peddling, and official edicts were issued from time to time in the interests of established retailers.

Auction sales which probably originated with the Romans were likewise frequent in Roman life as a means of quick disposal of stocks of merchandise. The Roman auctioneers were expert in stimulating the bidders and praising the articles offered for sale.

Among the classes of retailers represented in Rome in the days of the Empire were cobblers, bakers, butchers, fish dealers, furniture dealers, potters, cutlers, green grocers, spice dealers, perfumers, jewelers, fabric dealers. There were even shops for the sale of ready-made apparel which assumed considerable proportions in the periods of the greatest prosperity of the Roman Empire. Public laundries and cleaning establishments were much patronized.

Factories were all small and production was of course by hand. Most of the work was done by slaves. Apparently there were both retail and wholesale stores as well as great warehouses, particularly in those lines of merchandise imported

from other countries. The warehouses were constructed for the storage of grain, salt, hides, and other bulky goods. Grains and other commodities were usually not stored and shipped in bulk nor in sacks but in earthen jars.

Rome in the days of the Empire was the center of the fashion world much as Paris is today. Apparel for both men and women, millinery, footwear, jewelry, perfumes, toilet preparations, court and festival regalia, armor, chariots, dances, games, music, arts, diversions, and manners changed continuously then as now. The people of the most distant lands awaited news of these changes brought by post and couriers from fashion headquarters, Rome, as people now study fashion reports from Paris.

A recent newspaper account has appeared indicating that excavations in Rome have uncovered the remains of a large retail mercantile institution, several stories high, which may have been much like the modern department stores. It is even possible that there was multiple shop-ownership but of that we cannot be sure. It seems fairly certain that wealthy merchants were represented in many places by agents and in this sense there were chain organizations. Certainly there was a flow of business out of Rome by messenger and post somewhat comparable to the present mail order business.

It is also interesting to note that there were professional shoppers in Rome who served clients living in other cities in Italy, and even in distant colonies, by shopping the retail markets and making purchases in apparel, jewelry, furniture, bronze, porcelain, and even slaves. It is difficult to point to any modern activity which did not in one way or another have some counterpart in Roman commercial life.

Trade in Medieval Europe.—Trade declined when the Roman Empire went to pieces during the fourth and fifth centuries. Many of the roads and trade routes, so well worn by countless travelers, carriers, and caravans, fell into disuse.

Retail trade in common with all other branches of commerce sank very low.

For a period of 300 years or more ending in the tenth century, such trade as existed in western Europe was kept up by itinerant Jews, Syrians, and a scattering of other races. They carried their packs of merchandise on their backs and went from castle to castle offering their limited wares, consisting mainly of eastern-made fabrics, laces, embroideries, jewelry, perfume, and spices.

After the conversion of the northern lands to Christianity the traffic was increased by the sale of religious goods, beads, relics, and art objects. These goods found the way to consumers not only through peddlers but also by religious pilgrims and churchmen.

Ordinary trade was almost impossible in most parts of Europe during the Middle Ages. Lacking strong central control or national police power, highway robbery and piracy were common occurrences. In the place of central authority there had arisen multitudes of local powers or principalities, which, for the most part, instead of attempting to encourage trade, did all they could to prevent it by collecting heavy tolls on merchandise brought into and sent out of their territories, and by collecting exorbitant taxes from traders. Probably much of the trade that did exist took the form of bootlegging or smuggling. Outside of the struggle for the barest existence on crude foods and the minimum requirements of clothing and shelter, the principal business of the most of the ruling classes of Western Europe during the medieval period seems to have been warfare. Under such conditions it is not surprising that trade could not prosper.

During the tenth century, or even before, certain towns in southern Italy began to recover some importance as trading centers such as had been enjoyed in classical times. Among these were Brindisi, Taranto, and Amalfi. Later, north Italian

towns including Venice, Florence, Pisa, and Genoa came into prominence as commercial centers.

The Italian cities reopened the old trade routes to the East to Greece, Egypt, Persia, and even India. Silks, gold, jewels, and spices were brought from the Orient by the merchants of these Italian cities and then redistributed throughout Italy and Central Europe. Travel increased and products handled by the Italian merchants found their way by slow degrees into France, Germany, and even England.

As an indication of the volume of business handled by the Italian cities there is a record that Venice alone distributed 420,000 pounds of pepper in a single year. Spices, wines, fine fabrics, jewelry, and so on, were the chief commodities obtained from the Orient and sold to the rude barons and overlords of Central Europe.

During the period from 900 A.D. to 1200 A.D., trade, both wholesale and retail, began to reappear. The old market places which had fallen into disuse at the end of the Roman Empire began to be reopened. Market stalls were established, periodical fairs were held, and traders dealing in consumer goods multiplied.

Before the Crusades, nearly all of the trade with the Orient passed through the Italian cities to the great enrichment of Italian shipping and Italian merchants. The Crusades resulted in intensifying consumer demand for eastern goods, both among those who had enjoyed such goods before and great numbers who had not known of the existence of these kinds of merchandise. To handle this growing business trading centers appeared at various points, gradually spreading northward and westward throughout Europe.

The priesthood participated in a marked degree in the development of this early commerce. The protection of the Church indirectly, if not directly, assisted the peaceful development of trade. Robbers and free-booters who had no compunctions in waylaying a layman peddler feared to interfere

with the activities of men in the garb of priests, carrying crosses and other holy insignia. For a time the Cistercian monks were the leading wool and fabric merchants in Northern Europe. Religious pilgrims of most denominations combined merchandising with religion and drove thrifty bargains with willing customers on goods they had brought with them from the East.

Trade in Medieval England.—The first wholesale and shipping merchants to locate in England were Germans who had come over from the continent and who established agencies to serve their houses abroad. These merchants were given the right to transact business in what was known as the Steel-yard of London.

During the fourteenth century under Edward III, a very rapid development of trade occurred in England. Shipbuilding was encouraged. Merchandising was given social standing. Later, immigrants from Europe, particularly the Walloons from the Lowlands across the Channel who were skilled in spinning and weaving, came into England in great number. As an indication of the humble beginnings of the British textile industry it has been stated that at the opening of the fourteenth century there were less than 100 good wool weavers in all England. Prior to the fourteenth century the interests of the people had lain in other directions. For example, at the time when there were less than 100 good weavers in all England, there were about 30,000 students at Oxford University alone!

Rise of Mercantile Gilds.—About the middle of the fourteenth century leading English business men began to promote foreign as well as domestic trade. These early traders, called "merchant adventurers," were united in what was known as the Brotherhood of St. Thomas à Becket. As the power of the merchant adventurers grew they not only established themselves in England but also located trading places with ware-

houses at various places on the continent. Edward III took a great deal of personal interest in the progress of these merchant adventurers and gave them much official encouragement and help.

Merchant brotherhoods or gilds were formed in nearly every English town during the fourteenth and fifteenth centuries. These merchant gilds were for a long time made up of all the traders located in the community. They sought by means of organization to establish the rights of trade for themselves, the abolishment of unreasonable restrictions, tolls, taxes, and other difficult conditions of trade, and to eliminate cut-throat competition.

In some cases they had to buy the privileges of free trade. In other cases they gained these rights by aiding the Crown in wars. It is interesting that none of these gilds appeared in England before the Norman conquest and it is believed by some that they were Norman institutions brought in during the latter part of the eleventh century. Certainly their period of greatest activity came during the fourteenth and fifteenth centuries.

During the eleventh, twelfth and thirteenth centuries a considerable proportion of those engaged in English and continental trade were Jews who had been granted protection in England by the Norman rulers. It is probable that these Jewish merchants contributed much toward the building up of the British merchant gilds and in obtaining favorable trade conditions.

Rise of Traders in Social Standing in England.—In medieval England as in ancient Rome, all traders were for a long time looked upon as questionable if not undesirable characters. In the Saxon era trade had actually been discouraged. By the fourteenth century, however, so many changes had occurred, particularly through the influence of the merchant gilds, that men engaged in merchandising and shipping began to be prominent in British public affairs. It is interesting to note that the

first English merchant to be made an Earl was De la Pole of Hull whom Edward III honored by making him the Earl of Suffolk near the end of the fourteenth century. Other famous merchants of these days were William Connynges of Bristol, Richard Whittington, the Dick Whittington who became Lord Mayor of London; and John Crosby, also of London.

Competition of English and Continental Merchants.—The merchant adventurers who were for the most part owners of shipping and wholesale warehouses continued to grow in importance in English trade throughout the fifteenth and sixteenth centuries. By the sixteenth century they had reached a development of such power as to challenge the supremacy of

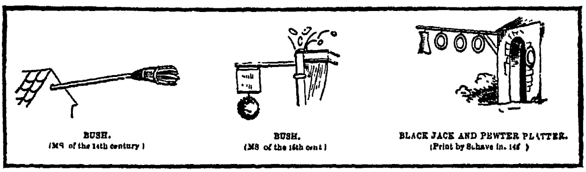

Figure 2. Fourteenth and Fifteenth Century Signs
From "The History of Signboards," by J. B. Larwood and J. C. Hotten: Chatto & Windus, London.

the great merchants located in the continental towns of Hamburg, Luebeck, and Bremen, members of the Hanseatic League, as well as the power of the Italian merchants whose trade extended from Gibraltar to India.

Queen Elizabeth was as greatly interested in the development of English trade as Edward III had been. She, herself, was classed as one of the principal merchant adventurers of the sixteenth century. In her wars with Spain it was the British merchant ships that made up most of the English navy and it was the power of the merchant adventurers back of the British throne that eventually defeated the Spanish Armada near the close of the sixteenth century.

Organization of Great Foreign Trade Companies.—At the opening of the seventeenth century there began to be organized

numerous foreign trading companies in England such as the East India Company in 1600, the Levant Company in 1605, the London Adventurers, who sent Captain John Smith to found a colony in America in 1607, and the Plymouth Adventurers who encouraged the settlement of New England by the Pilgrims. There were many other companies started in this period, such as the Russia Company, Turkey Company, Morocco Company, Guinea Company, and so on. All were primarily actuated by motives of commercial gain.

Through the establishment of these companies and the extension of foreign trade, English wealth and prosperity increased and home commerce steadily gained. By the early part of the eighteenth century several developments had occurred in English trade such as the establishment by the wholesale merchants of branches, factories, and agencies in various parts of England for the collection of wool and other raw products, and for the distribution of manufactured goods in exchange. These organizations were literally chains buying and selling under central control and management much as modern chain systems do.

Decline in Peddling and Rise of Retail Shops.—Retailing in England before the Norman conquest seems to have been almost entirely carried on by peddlers. As the cities developed, the peddlers settled in more or less permanent little shops. It seems quite certain, however, that peddling continued to be the important form of retailing well into the thirteenth century.

Several causes may be given for the establishment of shops or stores. Peddlers began to be taxed and licensed. Taxes were levied on land but not on stocks in trade. Increase in production and increased earnings left the public with ability to support the purchase of more kinds of goods than those formerly carried by peddlers. Nor was the fair a fully satisfactory method of selling and buying goods. As the fairs and peddling declined, retail shops increased. In 1189, Fitz-Alwyne's assize stalls,

buildings housing numerous small shops, appeared. These may have been the earliest forerunners of modern department stores made up of leased departments. In the next two centuries these and other classes of shops multiplied.

These early shops were for the most part very small. The entire inventory of a mercer's stock in the thirteenth century would not average more than from 2 to 5 pounds sterling, from $10 to $25 in United States money.

The forerunners of the grocers were the spice dealers, who were generally Italians, or Lombards, as they were called, and were known as pepperers. Gradually they added more goods to their lines and became grocers. By 1376, there were not less than 48 different classes of retail shops in London.

Naturally these early places of retail business were not very pretentious in appearance. They were probably little better than tiny booths or stalls set off on the ground floors of residence buildings. As in the days of the Roman Empire and in the Orient they were probably open to the street without door or window during the daytime and closed at night by heavy bars or shutters.

Retailers in English cities grouped themselves in certain localities much the same as had the retailers in Rome during the Roman Empire. For example in London, during the thirteenth century, corn merchants gathered in the vicinity of what is now known as Corn Hill, fish dealers in Fish Street, metal work dealers in Lothsbury, goldsmiths in Cheapside, traders in Cannon Street and dealers in cooked and baked foods in Cook's Row near the Thames River bank.

Distinction between "Merchant" and "Retailer."—A distinction between the terms "merchant" and "retailer" began to be made in England in the early fourteenth century when the word, "merchant," came to be applied almost exclusively to importers, exporters, and wholesalers whereas the term "retailer" was applied to those selling in small quantities for con-

sumer use. This distinction in terms, however, was not general. In Scotland and Ireland as well as in the early American colonies the term "merchant" continues to be applied to both wholesalers and retailers indiscriminately down to the present time.

Origin of "Shops."—The word "shop" appears to go back even farther in use than either merchant or retailer as a term for describing the place of business of a retailer. Its origin has been traced to the old Saxon and German languages. The original meaning seems to have been the porch, vestibule or lean-to of a residence. It is clear that for ages the porch or the front of the ground floor of residences served as the early retail stores both in England and on the continent. When most goods such as boots, fabrics, bread, ale, and other commodities were made by hand, they were made at home. Retail sales took place where the goods were made, hence the double application of the term "shop" in modern days both to factories and stores. The use of the term "shop" as a name for a retailer's stand goes back in England at least to the twelfth century.

Medieval Department Stores.—A large building divided into numerous stalls, much like Fitz-Alwyne's assize stalls of the twelfth century, was again established in London in 1570. The stalls were leased to individual retailers so that one might go from stall to stall and buy at retail all sorts of commodities, including foods, fabrics, shoes, clothing, furniture, jewelry, and other articles all under one roof. This building, known as the "Royal Exchange," was constructed by Sir Thomas Gresham, a financier and economist, and author of the well-known "Gresham's law of money." One of the tenants of Gresham's Royal Exchange was Isaac Walton, the angler, whose shop was 7½ feet long and 5 feet wide. These prototypes of leased departments in modern retail stores and of modern department stores spread to all parts of England, so that by the end of the seventeenth century there was scarcely a large city which did not have one or more.

Retailing in England from 1700 to 1800.—Judging from the existing descriptions of retail shops in England in the

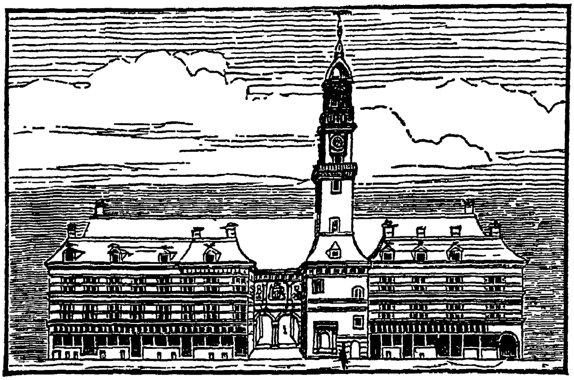

Figure 3. The First Royal Exchange, London, 1569
There were more than a hundred shops or booths for retail dealers in this building—the prototype of the modern department store.
From "English Merchants," by Fox Bourne: Chatto & Windus, London.

seventeenth and eighteenth centuries there had occurred great changes not only in retailing but also in the types of shops since

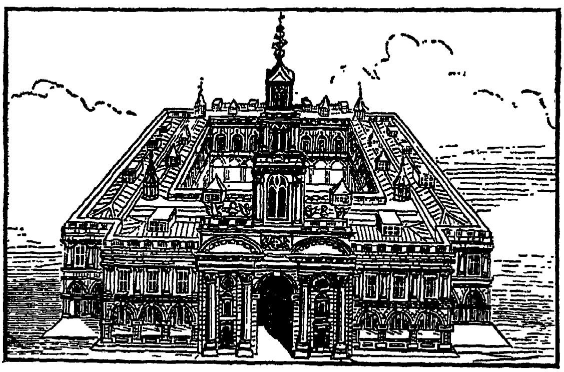

Figure 4. The Second London Exchange, Eighteenth Century
From "English Merchants," by Fox Bourne: Chatto & Windus, London.

the fourteenth and fifteenth centuries. Retailers now went to great pains to make their places of business exceedingly attrac-

tive and in the opinion of Daniel Defoe were too extravagant in their outlays for store fronts and fixtures.[9] This work presents an interesting account of retailing in England in the early part of the eighteenth century and was very widely read. It passed through many editions during the following hundred years. Other writers of the time also urged that retailers were spending more than they should on decoration, fine shelving, glass windows, fancy columns, and so on. Defoe cites instances in which retailers expended two-thirds of their capital investments in fixtures for their shops. Advertising came into use by retailers in the early eighteenth century. This was an age of wonderful sign boards and posters. Retail shops and inns vied with each other in displaying artistic, ornate swinging signs which clattered and squeaked in the breeze.

The retailer, his apprentice, or some other member of his family was constantly out before his shop and all day long cried out, "What do you lack, Sir," and "What do you lack, Madam," and followed by naming his goods offered for sale. It was frequently the chief function of the apprentices to spend a large portion of their time outside of the shops bawling invitations to buy.

Shops continued to specialize on individual lines as they had from the beginning, and were known by the lines carried as fruiterers, green grocers, grocers, butchers, wet salters, costermongers, who sold custards, cheese-mongers, fish-mongers, and so on in the food lines. Then there followed drapers, mercers, tailors, cobblers, hatters, ribbon dealers, perfumers, jewelers, and many others selling articles of apparel and adornment. In addition to the foregoing there were also dealers in almanacs, sealing wax and ink, combs, lanterns, socks, shoe laces, tools, and straps. Ale houses and coffee houses were numerous. An estimate indicates that there were 6,187 retailers in London alone in 1725, and Defoe estimated in 1727 that there were

[9] D. Defoe, "The Compleat English Tradesman," 1826.

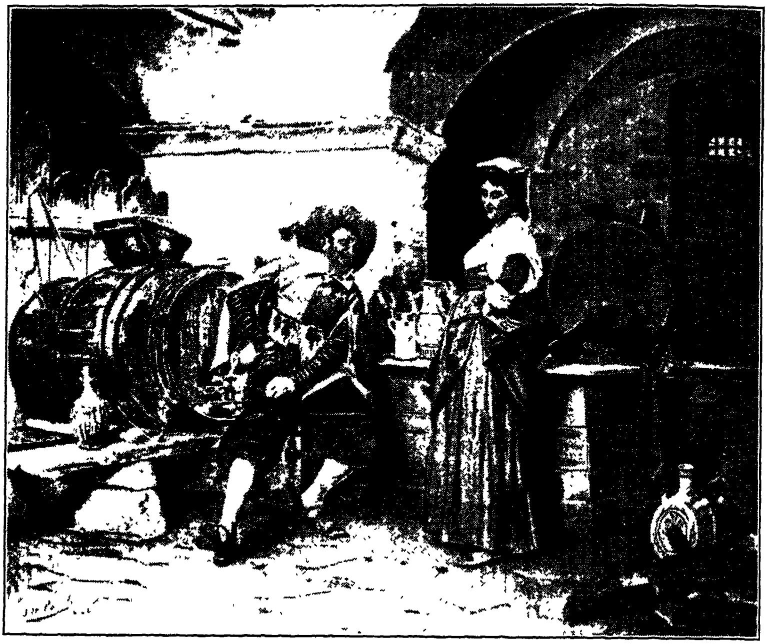

Figure 5. Medieval Wine Shop
From painting by Tito Conti.

at least 2,000,000 people in England either directly or indirectly dependent upon retail trade for their living. These included masters and their dependents, servants, journeymen, and apprentices.

In economic views Defoe was a mercantilist and used his influence as a popular writer to promote the principles of mercantilism. He urged that the more hands goods passed through the greater advantage would accrue to the country. It was not considered true public interest to shorten or lessen the interests of trade or to sell the goods more cheaply to consumers. In the export business, however, Defoe recognized the necessity of meeting price competition of other nations not only by removing imposts or duties but also, if necessary, by export bounties. The tendency to eliminate middlemen, noted even in the early

part of the eighteenth century, was looked upon by Defoe with frank misgivings. Such elimination he contended would, if continued, throw a million tradesmen out of employment.

Defoe's descriptions of the pack-trains and wagons carrying raw materials and finished products over the highways of England are eloquent testimony of the advancement of trade in a period preceding modern railroads by a hundred years. Many of the trade institutions of the present day, such as traveling salesmen (who were then called chapmen), selling from sample, standardized credit terms, and even efforts at price maintenance, were well-established in Defoe's day.

Origin of Fixed Prices in Retailing.—Defoe has an interesting note on the origin of selling at fixed retail prices. This

Figure 6. Medieval Meat Market

Note scales, chopping block in doorway, and stock of meats hung on the backs of the door.

From painting by Luc-Olivier Merson.

Figure 7. A Venetian Fruit Seller of the Nineteenth Century
From painting by L. Fildes.

practice, as he reports, began in England with Quaker retailers "who resolved to ask no more than they would take upon any occasion whatsoever and chose rather to lose the sale of their goods, though they could afford some times to take what was offered, rather than abate a farthing from the price they had asked." Defoe reports that the necessities of trade caused exceptions to be made in this policy even among the Quakers but not to the extent found among other dealers of that time.

There were many tricky methods in vogue among retailers in the eighteenth century, such as the passing of counterfeit money, which was plentiful in those days and which had been palmed off by customers on the retailers themselves. Every possible effort in selling to consumers was made to set off the goods to the best advantage not only by proper preparation of the goods but by the use of clever lighting arrangements or lack of lights as the case might require to secure the consumer's purchase. Overstatements and deliberate lying in the bargaining

process were apparently common practices. Defoe felt, however, that the bad name given to traders was in part due to traders themselves who followed the practice of running down and defaming each other in competition for the consumer's custom.

English Retailing During the Nineteenth Century.— Small shops with the exception of the "Royal Exchanges" which were really groups of small shops under one roof apparently continued to characterize the English retail trade down to the middle of the nineteenth century or even later. The retail trade was divided up among a great many lines of shops. One record indicates that at the middle of the nineteenth century there were 175 different kinds of shops where things were sold to consumers. This fine subdivision of retailing probably led to the deterioration and decline of the system.

A writer in the *Fortnightly Review* in 1875[10] states that

Figure 8. "French Market in Autumn" (Nineteenth Century)
From painting by Victor Gilbert.

[10] *Fortnightly Review*, Vol. 63, p. 123.

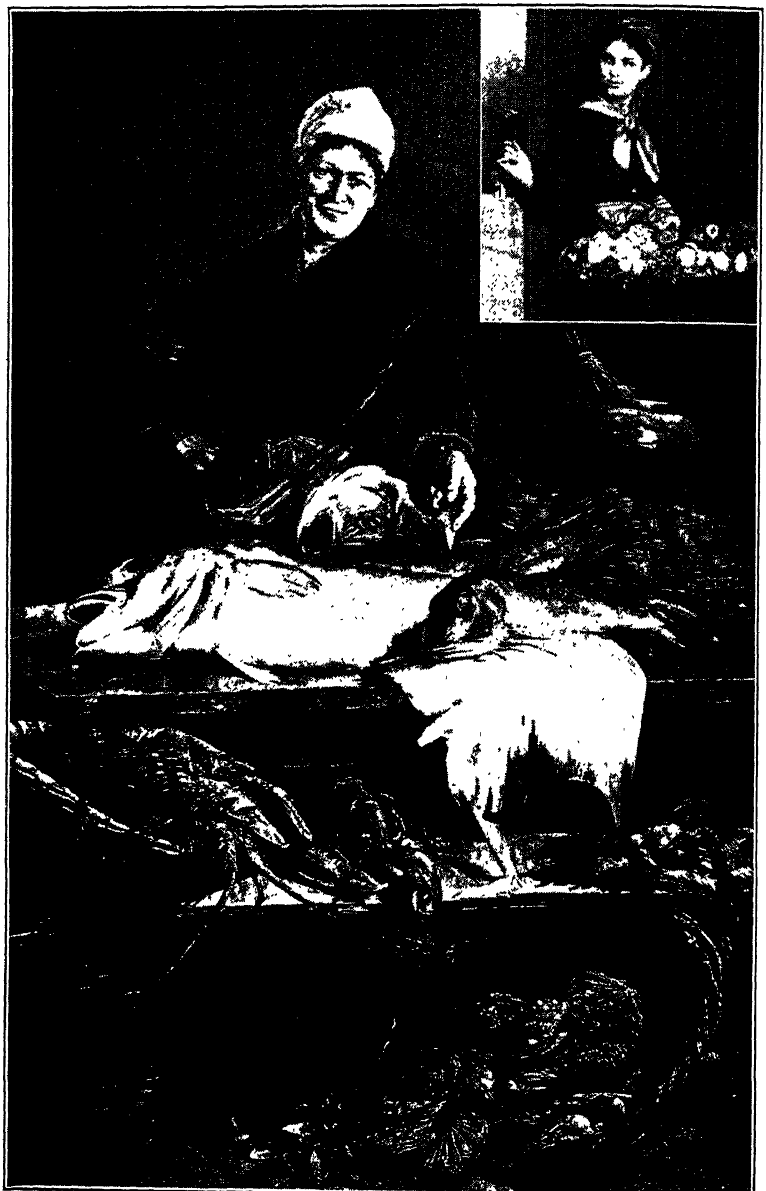

Figure 9. Nineteenth Century European Vendor Types: Fish Woman and Flower Girl

at that time English retail shops were small and inferior compared with retail shops in Paris and Vienna. Conditions had certainly changed, for while retailers had been criticized for overdisplay in 1725, by 1875 they were criticized for their poor displays. It is probable that popular opinion, or at least part of it, had outrun retail traders' notions of proper display methods. The writer states that shopping could only be carried on under great difficulties.

Long credits to customers prevailed throughout the entire period of the nineteenth century, but the system of selling for cash seems to have begun in England, as in the United States, in the early 1860's or 1870's as did the development of modern department stores and the employment of women as sales assistants.

Hours were long in the small shops. Retail stores were usually kept open from early morning until late at night. In the first department stores of England the average hours of labor were over 70 per week. A retail cooperative organization of Army and Navy Stores was the first in London to be closed regularly at 6 P.M.

The development of retailing in England since the middle of the nineteenth century has been much the same as in other European countries and as in the United States. What this has been will be seen in the next chapter dealing with the later stages of retailing in America.

CHAPTER IV

THE DEVELOPMENT OF RETAILING IN AMERICA

There have been at least five well-defined stages in the development of retail trade in America, as follows:

1. Prehistoric Indian trade.
2. The trading post period.
3. The general merchandise store era.
4. The period of rise and development of single-line independent specialty stores.
5. The modern period of growth of large-scale retailing involving extensive capital in such institutions as department stores, mail order houses, and chain stores.

These five stages have characterized the history of retail trade in practically all sections of the country. They were not, however, represented everywhere at the same periods of time. For example, the primitive trade of the Indians among themselves gave way gradually during the sixteenth and seventeenth centuries to trade with the whites at the trading posts. In the eastern section of the United States, trading posts began to be displaced by general merchandise stores during the eighteenth century. In the Middle West they continued until 1820 or even later, and in the Far West down to 1840. Indeed, trading posts are still to be found in isolated sections of North America, particularly in northwestern Canada and Alaska.

Specialty or one-line stores began to displace the general merchandise stores in the larger cities of the eastern part of the country during the years from 1800 to 1825. This change spread gradually to other sections and is continuing down to the present time. The general store still continues in many small communities, although its character has greatly changed during

the past twenty-five years. Large-scale retailing in department stores, chains, and mail order houses made its beginnings in the larger cities in the 1860's and 1870's, gradually replacing old-time general merchandise stores and even specialty stores. This movement is still at the height of its progress.

Prehistoric Indian Trade.—Prior to the coming of white men, America was populated by numerous tribes of Indians with varying degrees of culture and economic development. There are ample evidences of an extensive trade conducted within tribes and by certain tribes with others. It may be presumed that the extent of such intertribal trade depended to a very large extent upon the degree of economic advancement of the various tribes. The most progressive tribes, undoubtedly, enjoyed the greatest trade.

There were some Indians who were literally savages, who knew very few human arts and practiced these few in the crudest way, and therefore neither knew nor cared for the products of other tribes. If they wanted them they were not able to offer anything in exchange for them. They represented the lowest degrees of culture. On the other hand, there were tribes who cultivated the soil and raised corn and other products, in addition to hunting and fishing. Some had even begun the domestication of wild animals, particularly dogs, which they used as aids in hunting and as beasts of burden. These tribes had advanced considerably beyond the fishing and hunting culture stage and enjoyed an important trade with other tribes.

The commodities of commerce in the intertribal trade among the North American Indians consisted largely of foodstuffs, such as fresh and dried fish, dried meat, corn, furs, skins of wild animals such as buffalo and deer, articles of personal adornment such as eagles' feathers, bears' teeth, paint materials, beads, basketry, earthenware, pipes, stone arrowheads, and other implements. It is quite certain that Indians living near waters teeming with fish disposed of their surplus to other

tribes living inland. Indians living near salt marshes and salt springs bartered salt for other commodities. Quite probably, individual Indians, skilled in the craft of making stone arrowheads, stone axes, and birch bark or dug-out canoes, made these goods for others and received other commodities such as foods, skins, and ornaments in return for the products of their skill.

Only the existence of an extensive system of trade can account for the wide distribution over the American continent of such goods as copper implements, vermilion, and other paint pigments, eagle feathers, and wampum made of shells which must have come either from the Pacific or the Atlantic Oceans. Copper such as could only have come from the Lake Superior region was found among Indians scattered as widely as the Atlantic Coast and the Gulf of Mexico. Mica such as probably came from North Carolina has been found in the Indian mounds in Ohio. Pipe stone, of the kind used in making the Indian smoking pipes found among most tribes all over North America, must have come from the Minnesota and South Dakota areas where the only known deposits of this mineral are located. Eagle feathers, widely used in head-dresses of chiefs and braves, could only have come from those sections of the country that were the habitat of the eagle. Wampum shells, as has already been indicated, must have been carried inland from either the Pacific or Atlantic Oceans, probably from both. Copper bells and other objects found in the ruins of Indian villages in New Mexico, Arizona, and Colorado are believed to have come from the Aztecs in Mexico.

This primitive trade was conducted by means of an extensive system of Indian highways or trails, which extended for hundreds of miles over mountains and valleys. Many of these old Indian trails have since become the thoroughfares of the white man along which railway trains and automobiles now hurry. The rivers and lakes were likewise natural roads for the Indian canoes.

Apparently there was no established system of middlemen

among primitive Indians. So far as is known, there were no retailers nor wholesalers, as such. Individuals or tribes with a surplus of dried fish or of buffalo skins dealt directly with other individuals or tribes in need of these commodities. Systematic, specialized distribution began with the arrival of white traders from Europe.

Trade in America Under the White Race.—Retail trade in America from its earliest stages down to the present has recapitulated to a large extent the development of retail trade in European countries from its earliest beginnings. In view of the primitive conditions in America at the time of its discovery and early settlement, it was not possible to transplant at once the systems of distribution of goods that prevailed in European countries. Parallel systems and developments came much later.

The first American trade carried on by the whites was with the Indians. The first retailing in America was conducted by itinerant traders from ships or canoes. The first retail institutions were trading posts at which commodities from Europe were bartered for furs, fish, venison, drug products, and other similar goods supplied by the Indians.

The Trading Post Stage.—The trading posts of pioneer America were much like the trading posts of the ancient Phoenicians and the late ancient Greeks along the shores of the Mediterranean. Adventuresome traders first made their voyages of discovery by water or by land, bartering as they went and hoping to profit from their expeditions. Later such traders made regular periodical visits encouraging the development of markets at which exchanges could be made. This stage was followed by the establishment of permanent trading posts with small colonies of traders and their assistants. Such was the origin of the Phoenician settlements in Sicily, Italy, Carthage, and Spain, and such was the origin of many of the early settlements on the frontier in America.

Among these early trading posts that afterwards became

important commercial cities were New Amsterdam (New York), Albany, Detroit, Chicago, Green Bay, St. Louis, Mackinaw, Astoria, St. Paul, and Des Moines.

The early explorers were nearly all commercial traders who came to exploit the fur trade of America. The difficulties of the French and the English nations during the seventeenth and early eighteenth centuries were primarily due to competition for the American Indian fur trade. The trader preceded the settler in all parts of the country. Trading posts were located at the head-waters of navigable streams, at portages, and at intersections of Indian trails long before there was any thought of utilization of the land for settlement, for grazing or agriculture. Radisson, LaSalle, Cadillac, Laclede, Langlade, Du Luth, were famous names among the French traders in America during these early years. Missionaries frequently followed the traders and helped to keep peace and to some extent to keep down the rapacity of traders who in some cases exploited the Indian trade to the fullest extent. Many of the missionaries combined trade with their religious calling. Among these were Fathers Joliet and Hennepin.

The earliest trade with the Indians seems to have been carried on under the fiction of the exchange of presents, just as had been the case in the earliest stages of trade in Europe and Asia. Traders appeared among the Indians offering hatchets, knives, awls, needles, looking glasses, bells, necklaces, bracelets, combs, beads, and bright paints which were ostensibly offered as presents. In return the Indians brought in skins of fur-bearing animals, particularly beaver, which was very much in demand in Europe during the seventeenth and eighteenth centuries. Later, the superfluous forms of present-giving gave way to actual barter and exchange on a bargaining basis. While there had always been, as has been indicated, a certain amount of trade among the Indians, the Europeans opened up outlets for furs and other products to such an extent as had been hitherto unknown. While the

Indians knew something about barter, they were certainly not a match for the early French, English, and Dutch traders who generally took advantage of their opportunities with the utmost ruthlessness. In time they developed a degree of sophistication. Under the competition of the French and the English traders, toward the opening of the nineteenth century, many were able to get more nearly what their furs and other products were worth. In the latter part of the trading post era, the Indians themselves, particularly the half-breeds, took up trading with the Indians with considerable success.

Both French and English companies established trading posts throughout the middle and western part of the American continent. These posts were scattered from the Atlantic to the Pacific and from the Arctic Ocean to the Gulf of Mexico. The French preceded the English in the Great Lakes region and in Canada, but the English sought to make up for their earlier delays by aggressive action and through the establishments of great trading companies such as the Hudson Bay Company, formed in 1670, and the Northwest Company, formed in 1783.

Shortly after the Revolutionary War, American business men became interested in the fur trade and sought to eliminate both French and English traders from the territory belonging to the United States. Benjamin Franklin, among others, was a strong supporter of steps to secure this trade. No other single fact was more important in influencing the declaration of the War of 1812 than the bitter rivalry of the American and English traders in the Great Lakes region.

Under the protection of the American government, and in fact with the government's coöperation and participation in many ways, the American Fur Company, owned by John Jacob Astor, established a preeminence in the Northwestern states extending to the Pacific Coast. The Lewis and Clark expedition was undertaken by the government as a means of opening up the Northwestern territory to American fur traders.

Indian trading posts on the Atlantic seaboard gave way to colonies of white settlements during the latter part of the seventeenth and early eighteenth centuries. Although the westward movement of settlers into the interior of America did not begin on a large scale until after the Revolutionary War, it continued well into the latter half of the nineteenth century.

Figure 10. The Pack Peddler—showing a popular method of retailing during early American history

Reproduced by permission from "Hawkers and Walkers in Early America," by R. Wright: J. B. Lippincott Co.

The effect of westward settlement, so far as trade was concerned, was to turn stores at Indian trading posts into general merchandise stores serving white colonists and settlers instead of Indians. The managers of the trading posts often remained in charge of the general merchandise stores. Many of these early general merchandise store owners in the Northwestern territory of the country were either French or French Canadians. A few were part Indian. Throughout the entire Middle

West there was also a strong sprinkling of Scotch-Irish whose adventuresome and ambitious spirits had carried them over the Appalachian Mountains into the Mississippi Valley even before the Revolutionary War. Many trading posts and, later, general merchandise stores, were conducted by these hardy pioneers.

The Yankee Peddler.—With the opening up of white settlements in the western wilderness there came the New England Yankee who traded with both whites and Indians but who specialized in trade with the whites.

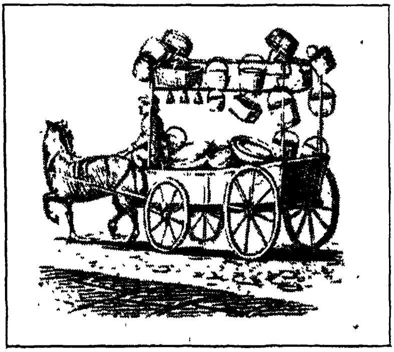

Figure 11. The Basket Peddler and His Cart

Reproduced by permission from "Hawkers and Walkers in Early America," by R. Wright: J. B. Lippincott Co.

Numerous small industries had sprung up in New England producing so-called "Yankee notions," including such articles as pins, needles, hooks and eyes, scissors, razors, buttons, tinware, clocks. These commodities were more in demand in the new white settlements than among the Indians. Such goods were generally sold, at first, directly to consumers by peddlers, most of whom came from New England carrying their packs or tin trunks on their backs. Others came on horseback and, as the roads were opened up, with wagons drawn by two, four, or even six horses. The early nineteenth century peddlers' assortments included not only "Yankee notions" but also dry goods, hats, groceries, salt fish, firearms, ammunition, tools, patent medicines, horse liniment, spectacles, hardware, and even furniture.

The early peddlers were a wild lot, shrewd, dissolute, and famed for their trading ability. While criticized for their dis-

honesty just as the Phoenicians had been criticized 2,500 years before, their frequent periodical visits to the early settlements were looked forward to with keenest interest by both housewives and menfolk. Many of these itinerant peddlers later settled down as general merchants. Some stores still in existence in the Middle West of the United States trace their origin to Yankee peddlers of the early nineteenth century. General merchandise stores already established also added stocks of the items sold by peddlers to their regular lines and as time went on supplemented these stocks by additions of cotton and woolen fabrics, laces, pottery, glassware, house furnishings, clothing, shoes, spices, and a growing list of groceries.

The Jewish Traders.—The rapid development of the Middle West, rich with possibilities, attracted the attention not only of the people of the seaboard states but also of great masses of Europeans in England and Scotland, Ireland, and Germany. During the 1830's and 1840's, a flood of immigration came into the United States from these countries. It brought with it into the retail trade of the country a new element that was destined to become very important, namely, the German Jew. The German Jewish immigration formed a part of that stream of people who, under the oppression of illiberal governments at home and welcomed by opportunities in the New World, came to the United States during the early nineteenth century. Many of them immediately went into trade and commerce in the larger cities, others, equipped with peddler's packs, started into the regions of new settlements as the Yankee peddlers of the preceding years had done. Some even brought their packs of merchandise with them from Germany and Austria. Like the Yankee peddlers before them, several of these newcomers, in time, established themselves as general store merchants. The institutions which they started are now important factors in the retail distribution of goods in the United States, particularly in dry goods and apparel lines. Among the leading insti-

tutions with a beginning such as just described was that established by Adam Gimbel, founder of Gimbel Brothers, who began as a peddler with a pack on his back. His first place of business was a general merchandise store at Vincennes, Indiana. Later this was moved to Milwaukee where the store then

Figure 12. A New Orleans Sock Seller in the 1860's
From "Encyclopedia of Commercial Anecdotes."

started still remains. The Gimbel organization has since spread to several cities so that it now includes an extensive chain of modern department stores.

General Merchandise Stores.—The general merchandise store was the most characteristic retail institution during the transition period from pioneer life down to full-fledged eco-

nomic development and maturity. The general merchandise store remained the most common and the greatest outlet for goods to consumers even down to the twentieth century. It supplied practically all of the simple requirements of the early settlers, and as their incomes and prosperity grew the general merchandise stores also expanded to supply their needs up to recent years.

The general merchandise store is the common or prevailing type of retail institution wherever there are pioneer conditions. It has not only been an important factor in American development, but it has also been the chief retail outlet in other new countries such as Canada, Argentina, Australia, and South Africa. It is the ideal type of store for new settlements and communities on the way toward more highly developed economic life.

The old-time general merchandise store supplied its customers with dry goods like cotton, woolen and linen yard goods, notions, sewing supplies, handkerchiefs, skeins of cotton, wool and silk yarns, buttons, ribbons, and laces. Such stores also handled the common groceries including flour, sugar, tea, coffee, molasses, salt, spices, tobacco, vinegar and, in the early days at least, wine, beer, whisky and rum. It also dealt in hardware including the ordinary tools, nails, screws, hinges, locks, latches, axes, scythes, fish hooks, firearms, and ammunition. Finally, it provided such drugs and medicines as were in common use during the early and middle parts of the nineteenth century, including many which have since completely passed out of use. On the old order sheets and inventory lists one may find items such as Church's Cough Drops; Turlington's Balsam of Life, Bateman's Drops, British Oil, Steer's Opodildoc, Hill's Balsam of Honey, Godfrey's Cordial, essence of peppermint, Lee's New London Bilious Pills, Anderson's Pills, Hooper's Female Pills, Liquid True Blue, Maccaboy and Cephalick Snuff, Chemical Fire Boxes, stationery, blank books of various sizes, children's spelling books, common writing and

letter papers, Dutch quills, sealing wax, wafers, thumb lancets, spring lancets, gum lancets, green goggles, Bibles, and song books.

The general merchandise store in its early stages was usually a wooden structure with a high rectangular front, dingy little windows, rough counters and shelving. Indeed, in the early part of the nineteenth century in many general merchandise stores there were no fixtures at all. Many of these early stores kept their stocks of merchandise, including dry goods, notions, groceries, and liquors, in a locked box or chest which was opened and goods shown only when customers called. Later, shelves and counters came into use and boxes and barrels were piled up on the outside of the store. Salt, which always constituted an important item in sales of general merchandise stores in country districts was bought and sold by the barrel, and barrels of salt were generally stored on the outside under a shed or lean-to attached to the building.

The general merchandise store usually engaged in a general trading business. In many communities barter with the Indians continued at the same time that trade grew with white settlers. Money of any kind was very scarce and sales for cash were the exception rather than the rule. As had been the case in the old trading posts, all sorts of products were taken in trade, including furs, venison and other wild game, hides, meat, pork, dairy products, grain, lumber, hoop poles and staves for barrels, firewood, wild berries, maple sugar and ginseng, a root found wild in America which was dug, cleaned, dried, and shipped to China.

Long-term credits were customary in the general merchandise trade in all parts of the country. During most of the nineteenth century settlements on accounts were usually made annually. In some sections this period was shortened to six months before the opening of the twentieth century. It is difficult to see how the early pioneers could have managed

without the long-term credit accommodation given to them by these retail stores.

The general merchandise store was usually the location of the village post office. Often the store was run in connection with a tavern or inn supplying meals and lodgings to travelers. In many cases the general store merchant also ran a nearby farm and the business of the store was carried on by the wife and children while the men of the family performed the farm-work. The general store keeper was also very frequently the local justice of the peace or public notary.

For several generations in American life, the general merchandise store served as the village social center for the men. The old box stove, the rickety chair or two, the flour barrel and the sawdust spit box were the almost universal furnishings that equipped it for its social services. Here politics, religion, and neighbors were discussed. It may not be too much to say that here the tariff question, government bank, internal improvements, foreign policies, and other important national matters were ultimately settled. American statesmen for many years had to reckon with the force of public opinion generated and cultivated around the stove of the country store. With all its inefficiency, its wasteful methods, and its shortcomings as a retail establishment, it must be said that it successfully served its day as probably no other type of institution could. Many general stores still exist and will for years to come, but with increasing density of population and rising standards of living the general store as such is giving way to other types of retail institutions.

General Merchants Bought Their Goods in the East.—In the early and middle periods of the nineteenth century, the general merchandise stores east of the Mississippi River got most of their goods from New York, Philadelphia, and Baltimore. Prior to the coming of the railroads, goods were transported by wagons and the roads leading westward in the 1820's

were often crowded with vans carrying merchandise for western stores. Much of the fabrics and other dry goods as well as hardware, tools, cutlery, and firearms were imported from abroad. Groceries consisted for the most part of salt, brown sugar, rice, bohea tea, and salted, pickled, or dried fish brought from the seaboard. Flour was produced in many local mills scattered throughout the entire country, from wheat raised near at home. Soap and candles were usually made at home but toilet and shaving soaps and perfumes were bought at the stores.

In order to obtain supplies, the general store merchant usually went east on a buying trip once a year. As late as 1825, nearly every retailer in the United States visited the eastern seaboard markets for goods only once a year. Toward the middle of the nineteenth century it began to be the custom for the better merchants to go twice a year. This trade from inland flowed to Boston, New York, Philadelphia, and Baltimore, but during the early decades of the nineteenth century New York, because of its advantageous location, began to gain in prestige and volume of business over Boston and other ports. By the middle of the nineteenth century it had gained a position of preeminence over them all. New Orleans was similarly the wholesale market for the southern part of the Mississippi Valley and the Southwest.

European Dumping on American Market and Auction System.—Following the War of 1812-1814, goods from Europe, particularly from England, were dumped into the New York market in large quantities. To effect prompt sales these goods were generally auctioned to any one who would buy them, to the great discomfiture and dissatisfaction of the numerous importing houses then located in New York. Country general merchants crowded these auction sales and in many cases overbought, so that the system not only hurt the importers but many of their customers as well. The goods included

in these sales were such as Yorkshire cloth, Scotch muslins, plushes, taffetas, jackonettes, blankets, bed covers, and a great variety of hardware, tools, novelties, and notions.

Auction selling of imported goods continued for several years following 1814. As a consequence, many auction firms came into existence and many of the old importers and jobbers were ruined. The practice of dumping foreign goods in the American market and of selling them for what they would bring by auction aroused a great deal of enmity toward foreign goods, not only among American manufacturers but also among American merchants as well. This feeling crystallized into a demand for protective tariffs which later became a regular part of American commercial policy.

Specialty and Single-Line Stores.—Specialty shops and stores handling but a limited line of goods began to appear in the larger eastern American cities very early in the history of the country and followed gradually throughout the nineteenth century in the medium-sized and smaller communities of the country. The specialty stores established in American cities were much of the same type and pattern as the small shops found in England and other countries in Europe then making up the most important channels of distribution to consumers for most goods. The one-line store came into existence largely because of the inability of the general merchandise stores to meet the requirements of their respective communities for specialized services such as could be given by apothecaries, milliners, dressmakers, hardware dealers, cabinet makers, and so on. The general merchandise stores and specialty stores, however, continued to get along together and for many years were the principal outlets for goods of all classes to consumers.

Large-Scale Retailing.—Shortly after the middle of the nineteenth century there were simultaneous beginnings of several new types of retail institutions which in our time have come to occupy a very important place in the retail distribution

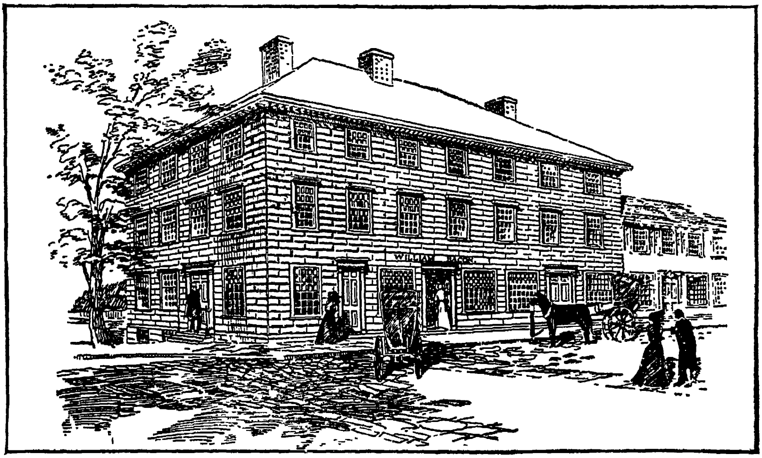

Figure 13. The Oldest Dry Goods Store in Boston, at Washington and Ruggles Streets, Established in 1814

From "Old Boston Post Road," by Stephen Jenkins.

Figure 14. Old Corner Book Store, Boston, Established in the Early Nineteenth Century (Photograph taken in 1895)

From "Old Boston Post Road," by Stephen Jenkins.

of goods. Among these were the department stores, the mail order houses, and the chain stores. The origins and development of these institutions will be traced in following chapters.

Changes in Activities of American Merchants.—At the close of the Revolutionary War and for many years following, retailing occupied a minor place in the minds of men of affairs. Many prominent business men of the times began their careers

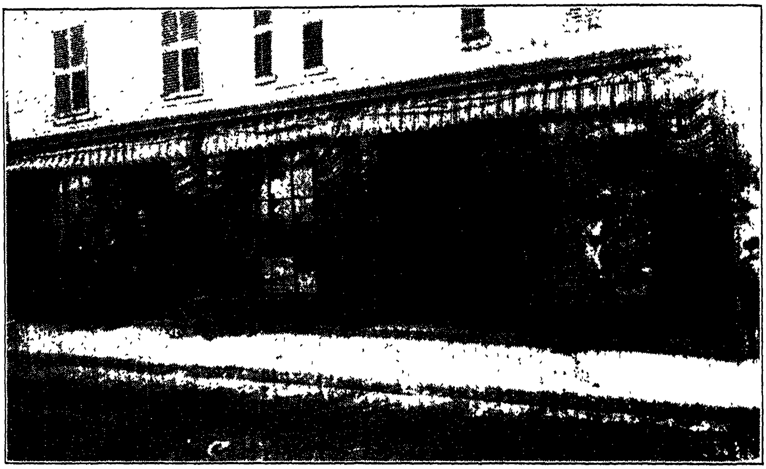

Figure 15. The Wm. Sherman & Co. Dry Goods Store, Newport, R. I.
Established in 1796 as a dry goods and crockery store. Building was in continuous use down to 1911. Photographed in 1881. This cut was reproduced from a photograph courteously supplied by Mrs. A. K. Sherman.

in the retail business or as retailers' apprentices but branched out into other lines of business that offered greater prospects for business genius. In some cases, the retail business contacts were maintained, in others they were given up. In the early years of the Republic, young men trained in business branched out and expanded into shipping and importing. Others went into banking.

Typical of the development of merchandising in New England, Amos Lawrence and his brothers served their apprenticeships in retailing and for many years, during the early part

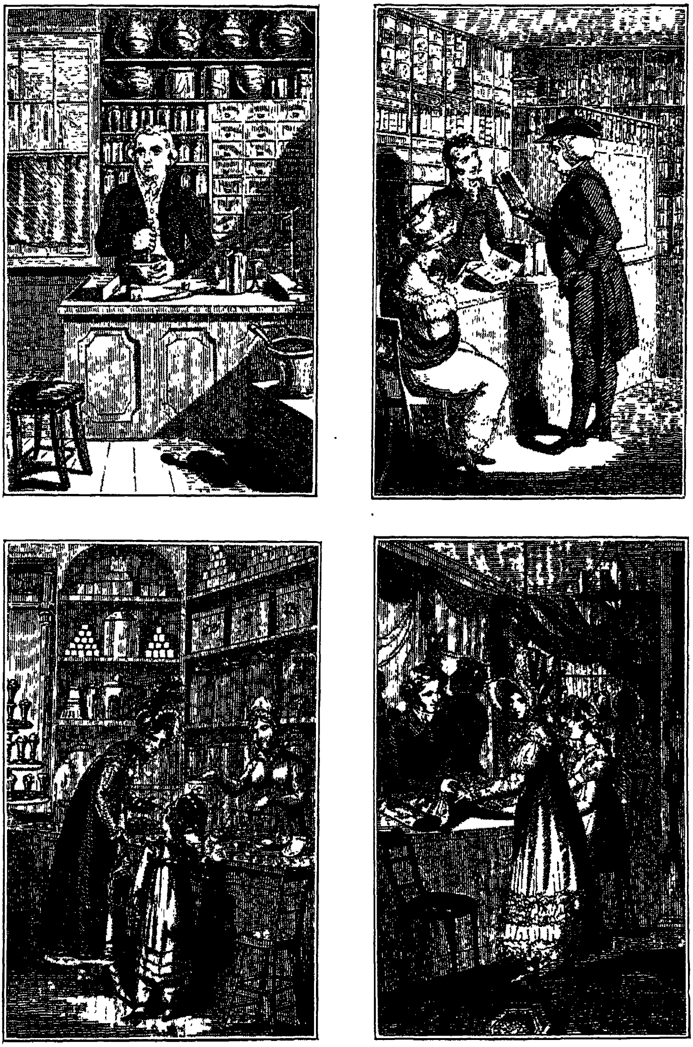

Figure 16. Interesting Views of Retail Shop Interiors of the Period of 1835

of the nineteenth century, conducted a dry goods business in Boston, but their activities expanded in the ownership and operation of a number of fast-sailing American ships engaged in maritime commerce. Other members of the family very early entered into the cotton manufacturing industry with which the name of Lawrence has since been closely associated.

In Philadelphia, Stephen Girard began his business career in the retailing business but expanded into the ownership and management of ocean shipping and later into Philadelphia banking and real estate.

John Jacob Astor, an immigrant from Germany, served his apprenticeship in a New York fur establishment from which he finally withdrew and went into the business for himself. In the years following he developed a wholesale and export fur business of the largest proportions. He, too, engaged in ship-owning and ocean trade, particularly with China.

George Peabody was a native of New England, who made his beginning in the retail business in Georgetown, Maryland, and later engaged in wholesale trade in Baltimore, developed into international banking, and during the 1840's and 1850's became one of the leading financial figures, so far as American finance and trade were concerned, in London.

During the second quarter of the nineteenth century and for fifty years thereafter, retailers who succeeded sought outlets for their ambitions and energies in wholesaling. There was hardly a big retail organization in any part of the United States between the years 1835 and 1900 that did not have a wholesale department or, indeed, in which the retail store did not become merely a department of the wholesale business.

Well-known retail concerns whose origins go back to the middle of the nineteenth century, or before that, nearly all had wholesale connections. Arnold, Constable & Company, Lord & Taylor, and A. T. Stewart, in New York; John Wanamaker and Strawbridge & Clothier in Philadelphia; Jordan Marsh &

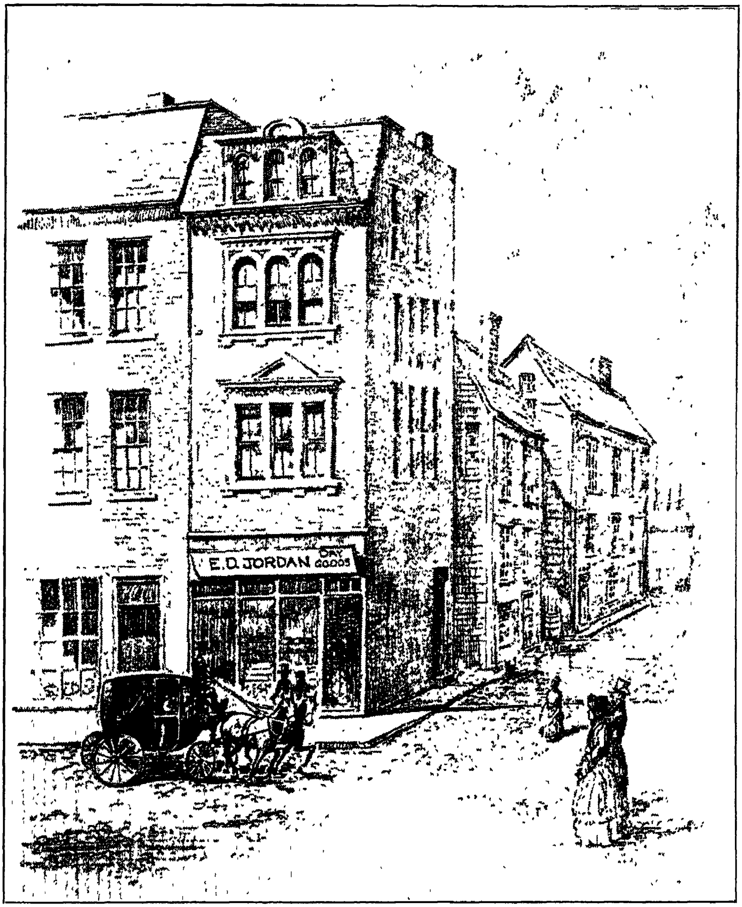

Figure 17. The First Dry Goods Store of Eben D. Jordan, Boston, 1841

From "Retail and Romance," a pamphlet by Julia Houston Railey, published at the time of celebration of its Diamond Jubilee, January, 1926, by Jordan Marsh Company.

Company in Boston; Marshall Field & Company and Carson, Pirie, Scott & Company in Chicago, to name but a few, conducted flourishing wholesale businesses during the middle and latter part of the nineteenth century. In the case of the two Chicago concerns named, these have continued down to the present.

With the arrival of the large department stores, the mail order houses and the chain store systems, the retail business offered opportunities for expansion and for the exercise of greater organizing and managing abilities than had hitherto been known. Instead of retailers in these types of businesses going into shipping, importing, banking, wholesaling, or manufacturing as they formerly had done, their energies have been completely absorbed in the opportunities for expansion within the retail business. During recent years there has been a considerable movement of importers, bankers, wholesalers, and manufacturers into retailing.

Changes in Wholesaling.—Prior to 1860, as indicated in a preceding section, retailers throughout the country replenished their merchandise stocks by annual or semi-annual trips to wholesale market centers. During most of the nineteenth century, Boston served as the wholesale center for the New England trade; New York City for the retail trade in New York State, northern Ohio, Indiana, and Michigan; Philadelphia served Pennsylvania, much of the Ohio Valley, and even St. Louis; Baltimore came to be the leading wholesale distributing point for the southeastern states as far west as Alabama and Mississippi; New Orleans was the wholesale distributing center for the Mississippi Valley as far northward as the mouth of the Ohio, including western Tennessee and Kentucky, Arkansas, and Louisiana. Cincinnati and Chicago began to be wholesale distributing points in the 1840's and 1850's. St. Louis, which had been the center of the early fur trade extending over the entire Missouri Valley, began to be

an outfitting place for retailers very early in the nineteenth century.

When the Civil War opened in 1861, many of the trading channels were perforce changed considerably. Baltimore lost its southern trade although it was able to regain a large part of it after the war. The Philadelphia trade was seriously hit along the border states. New York trade with the West grew tremendously.

Traveling salesmen had been employed to some extent during the 1850's, but during the Civil War period the New York importing and wholesale houses began to send out traveling salesmen on a large scale. This practice grew very rapidly in the 1860's. In the development of the West following the Civil War, through the later 1860's and 1870's, the system of selling goods through traveling salesmen became a fixed institution. In the meantime periodical trips to market by general store merchants declined.

During the 1870's and 1880's, the department stores began to be important in the larger cities. These stores from the start sent their buyers to market to buy some part of their stocks directly from manufacturers. Instead of semi-annual trips, however, the department store buyers, particularly of the ready-to-wear departments, made even more frequent visits, as often as once in every two or three months and later as often as once a month. The early department stores continued to purchase many of their goods directly from wholesalers and through traveling salesmen, but during the past fifty years the volume of purchases made from traveling salesmen and from wholesalers has steadily declined. It has been a consistent department store policy to buy more and more of its goods directly from producers and to have its buyers ransack the markets for suitable goods at the lowest possible prices.

Buying from Traveling Salesmen.—The earliest traveling representatives of wholesalers and importers were credit men or

representatives of credit departments. The panic of 1837 taught American business men caution. Following this business crash, credit men began to visit retail customers periodically, to learn how they were getting along, to collect money due, to extract settlements from delinquents, and to make friends for the wholesale or importing house among those not already customers. This method naturally proved expensive and could only be considered as an emergency arrangement. Gradually these commercial travelers whose early function it was to secure payment for goods already bought began to take orders for goods for future shipment as part of their regular duties.

Founding of Dun's and Bradstreet's.—In the meantime other sources of information on the credit standing of retailers were devised. Shortly after the panic of 1837, a Mr. Church established a bureau of credit information in New York whose purpose it was to serve wholesalers who desired information concerning out-of-town merchants buying from them. About 1840, the first mercantile reference book was issued. The first mercantile agency was established in 1841 by Lewis Tappan in New York. A second was established in 1842 under the name of Woodward and Dusenbury. The Bradstreet Company was founded in 1849 by J. M. Bradstreet, who, as a traveling representative previous to 1849, had collected a great deal of information about his own customers. Later the firm of R. G. Dun and Company came into existence, taking over the business built up by Lewis Tappan. Other concerns entered the field and for years the competition was keen, but the two last-named are now practically alone in the field of general mercantile agencies. To a certain extent special industries are represented by special credit-reporting agencies.

The Mercantile Agency.—The mercantile agency is a purely American institution. No country in Europe has any-

thing like it. In England, banks furnish their customers with information concerning the standing of parties in trade, but in this country the development of this function among the early banks was next to impossible. In the first place, the banks were in too precarious conditions themselves. They were failing and suspending specie payments on every hand. Consequently the banks were subject to great suspicion at the times when the need for mercantile credit information was strongest, namely, during and after the panics of 1837, 1843, and 1857. The country had grown so rapidly in trade, and particularly in the extent of territory over which this trade was transacted, that the small banks of the wholesale centers of the time had neither the incentive nor the ability to keep track of commercial conditions in such a way as to be of real service to the commercial interests of the country.

Another reason why the banks of this country did not develop the credit information function for their wholesalers, was that there was no central bank through which such information could be collected for the whole country and transmitted to the places where it was needed. Thus the mercantile agencies came into successful existence.

Opposition to Agency Methods.—Naturally there was considerable opposition to the methods of the mercantile agencies. It was considered an imposition by many retailers to have a third and outside party prying into their business affairs. Every attempt to get information directly by these concerns was opposed by large numbers of business men. Magazine and newspaper articles were written against the system. Even as late as 1896 a book appeared, violently opposing the agencies, entitled "The Mercantile Agencies Against Commerce: Are We a Nation of Swindlers and Liars?", written by W. Y. Chinn. This spirit has now largely passed away. Antagonism toward the agencies has been largely replaced by confidence. Most merchants today furnish the mercantile agencies with

signed statements showing the exact condition of their respective businesses.[1]

The Drummer Becomes a Salesman.—There was another type of employee in the early wholesale and importing houses, known as the "drummer," whose work finally developed into traveling salesmanship. The drummer, at first, was employed to hang around hotels and watch for the arrival of retail merchants from out of town. When a merchant arrived he became the special recipient of every kind of appeal to get him to come to the house represented by the drummer. "The country merchant is booked on his arrival, is captivated by courtesy, is attracted by appeals to each of his appetites and passions, is coaxed, decoyed, and finally ensnared or captured." [2]

Later, as competition among the wholesalers grew keener, the drummer was sent out to see retailers in their home towns, to get their promise to come to the house when in the market, and to take orders whenever possible. As the practice of small-town merchants going to market declined, the work of selling to the retailer in his own store or home became more and more important. Today, a very large part of the purchases of general and specialty stores are made through the medium of traveling salesmen.

As early as 1860, a number of traveling salesmen were employed by wholesale houses in New York, Chicago, Cincinnati, and other jobbing centers.[3] After the Civil War their number increased very rapidly. Chicago wholesale houses sent their representatives out over the western prairies, beyond the terminals of railroad and steamboat navigation. Traveling salesmen, with their trunks loaded on wagons, followed the pioneer trails to mining camps, lumber camps, trading posts, and everywhere that a store existed. Some of them, before rail-

[1] P. R. Earling, Whom to Trust, pp. 295-304; J. Boulter, "Mercantile Agencies and Their Work," in Trade and Commerce, pp. 372-394; E. D. Masterson, The Mercantile Agency, in *Modern Merchandising*, Vol. VI, pp. 87-92; *Bankers' Magazine* (1858), 12:545; *Hunt's Merchants' Magazine* (1851) 24:46.

[2] E. T. Freedley, United States Mercantile Guide (1856), p. 204.

[3] *Bankers' Magazine*, 12:545 ff.; Briggs, Fifty Years on the Road, Ch. II; M. M. Yeakle, St. Louis of Today, p. 315.

roads were built, drove wagons loaded with trunks of samples across the mountains to Utah and even to the Pacific Coast. Chicago's supremacy over St. Louis as a wholesale center was largely due to this early hustling. The eastern drummer in the Northwest was declared to be a thing of the past in a statement made in the *Chicago Tribune* Annual Review of Trade and Commerce in 1869.

Rise of Advertising.—The use of extensive newspaper advertising by retail stores began in the United States about the middle of the nineteenth century. The first full-page advertisement however did not appear until 1879. This advertisement was placed by John Wanamaker in Philadelphia on the event of the return of General U. S. Grant from his trip around the world. Not until several years later, however, did the practice of using full-page advertising become common.

Daily newspapers in most cities also date the beginning of the growth of their influence and power to this same period. Probably the department stores of the country could never have become important in retail distribution were it not for the help given by newspaper advertising. Similarly the newspapers could never have reached their present development were it not for the patronage of retail store advertising, but more particularly the department store advertising. No class of retailers has exploited newspaper advertising to the extent that the department stores have.

Rise in Use of Branded Goods.—The rise in the use of advertising in both newspapers and magazines carried with it a very rapid development of promotion and sales of branded goods. Dry goods, clothing, groceries, drugs, and hardware were fields in which trade names were extensively adopted and promoted. Retailers' and wholesalers' stocks began to be much more complicated than they had been hitherto because of the multiplicity of brands.

The Fight for Price Maintenance.—The introduction of a great many brands of goods widely advertised at various retail prices soon led to price-cutting of such goods as leaders or bait to induce consumer patronage. Violent controversies among retailers and between retailers and manufacturers began as early as the 1870's. The department stores were generally mentioned in these early controversies as the most aggressive price-cutters of branded goods. Later there began to be complaints against occasional individual specialty retailers such as druggists, variety stores, grocers, and hardware dealers, but the local character of trade of these small stores was such that most of the agitation for price maintenance was directed toward the control of the sale of branded goods in the department stores.

One of the chief purposes of the establishment of the early trade associations, such as of the wholesalers and retailers of drugs and groceries, was to curb price-cutting. Several plans were drawn up and tried out. Among these were the "Campion Plan" of the early '80's, named after a retail druggist in Philadelphia who suggested it, the "Tripartite Plan," and the "Coupon Plan." Most of these plans were continued in one form or another down to the 1900's, but were finally ended by adverse legislation and court decisions.

Other Retail Trade Policies.—The last half of the nineteenth century saw the effective introduction of several other new policies in retail trade, including movements for insuring accuracy and honesty in advertising, the wholesale employment of women as salespeople, the general adoption of the one-price policy, the discarding of bargaining and higgling with customers, the elimination of the barker or "puller-in" at the store entrance, the establishment of odd cent prices and, the gradual shortening of consumer credit from yearly to six months settlement periods, and then from six months down to thirty days settlement periods.

During the past twenty-five years, by a gradual process of education, a large proportion of the charge account business done by retail stores has been reduced to a thirty-day settlement basis. Since 1920, the rapid spread of instalment selling in many lines of consumer goods has again opened up the prob-

Figure 18. Interior of a Mid-Nineteenth Century Dry Goods Store

Note that the store was heated by means of a primitive coal stove and lighted by oil lamps.

lem of long credits. Not the least of the objections urged against instalment selling has come from the older credit men of retail stores who have spent a lifetime in developing short period settlements.

The last twenty-five years have definitely fixed the policy among American retailers that the store is for the consumer

and not the consumer for the store. Retail stores now generally work under the policy that the "consumer is always right," whereas formerly *caveat emptor* was the rule. Customers were urged, implored, or even forced to buy. Shopping in modern retail stores has been made a pleasure free from any sort of coercion. Goods are sold with unlimited guarantees and dis-

Figure 19. Interior of the Wm. Sherman & Co. Dry Goods Store in Newport, R. I., in 1906
Reproduced from a photograph courteously supplied by Mrs. A. K. Sherman.

satisfied customers can generally effect exchanges or get their money back on any basis of fairness.

Very great advances have been made in store planning, architecture, and layout. Early stores of all kinds were generally makeshift, box-shaped buildings with no special thought or planning for the specific requirements of retailing. Probably the first big retail store building to receive anything like scientific planning was the A. T. Stewart building at Ninth Street and Broadway, New York City, finished in 1863. This build-

ing still stands as a part of the New York John Wanamaker store. In the years following, retailers gradually worked away from the archaic Victorian types of store construction and developed a truly new and unique type of architecture. With the invention of elevators and the use of electricity for lighting, there began a period of store construction of the type found in modern department stores and even in specialty shops which will undoubtedly go down in the history of architecture as one of the most remarkable in business buildings.

In the matter of store operation, perhaps the most striking development during the past generation has been the creation and effective use of statistical control of merchandising by means of cost accounting, standardization of expenditures, and merchandise stock control.

From a merchandising standpoint, the outstanding movement during the past ten years has been the recognition of fashion as a factor in merchandising, the study of fashion movements, the employment of fashion specialists as assistants in merchandising, and the appeal to consumers by offers of fashion rather than the old-time offers of quality and price.

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CHAPTER V

THE INDEPENDENT RETAIL STORE

The retail store, independently owned and without connections with other retail stores, wholesaling or manufacturing concerns, has been and still is the typical American retail institution. Such stores are owned and operated by individuals, by partnerships, or by corporations. Out of 1½ millions or more of retail stores of all kinds throughout the country, it is certain that more than three-fourths are independent stores. The volume of business transacted by independent stores does not, however, equal this proportion of the total business, for the reason that there are a great many very small independent stores. It is believed, however, that as of 1929 perhaps 55% of the entire retail sales volume of the country is transacted through independent retail stores. If, as has been estimated elsewhere, the total retail sales volume of the country amounts to about 45 billions of dollars, then the total through independent stores is probably nearly 25 billions.

Classes of Independent Stores.—Independent retail stores, as indicated in Chapter II, are distinguished from branch stores, chain stores, cooperative stores, and voluntary chains. There are many varieties which may in turn be classified according to the type of business carried on, the kinds of merchandise carried, the locations occupied, and territory served. In the following pages some of the more important special types of independent stores will be defined and discussed, followed by an analysis of some of the distinguishing characteristics of present-day independent retail institutions.

General Merchandise Stores.—The general merchandise store was the typical store of the early American communities.

It took care of the needs of the early settlers and, at the same time, gradually displaced the trading posts and peddlers. The general merchandise store aimed to carry whatever merchandise its customers needed, including food, clothing, hardware, operating supplies, drugs, and so on. Its purchases and sales in any given line were naturally limited. There could be no specialization either in merchandise or service. The strength of the general merchandise store lay in serving people of limited means and limited requirements. Its advantages included its simple assortments of goods, its location, its long-term credits, and its low operating costs.

There are still many general merchandise stores throughout the United States, but for many years they have been changing steadily to other forms. Some have given up carrying general lines and have become single-line stores with such lines as groceries, dry goods, shoes, or hardware. Others have grown and have developed into department stores.

Examples of Successful General Merchandise Stores.— As an indication of the possibilities of developing successful general merchandise stores through skilful management, by changing their methods of operation to meet changes in consumer demand the following well-known stores in smaller towns are noteworthy:

Garver Bros. Company of Strasburg, Ohio, was established as a general merchandise store in 1866. Strasburg is now a town of only 1,200 population with several large cities within easy motoring distance. This general merchandise store, really a country department store, through the application of excellent modern methods of management, enjoys sales of about $1,000,000 a year.

Fred P. Mann of Devil's Lake, North Dakota, a town of about 5,200 population, began some years ago with a general merchandise store and has built a retail business having sales in excess of $500,000 a year.

The Outlaw Trading Post of Winner, South Dakota, a town of 3,000 population, has a sales volume of $850,000.

The Lynden Department Store in Lynden, Washington, a town of only 1,250 people has a sales volume of $750,000.

The Schaeffer Mercantile Company in Hillsboro, Kansas, with a population of 1,500, has a sales volume of $200,000.

Ortho Mooney of Temple, Oklahoma, a town of 900 population, is reported to have sales in excess of $1,250,000 a year. During the latter part of 1929, this store was sold to Sears, Roebuck & Co., the large mail order and chain store concern.

R. T. Holman, Ltd., of Summerside, Prince Edward Island, Canada, a town of 3,300 population, has annual sales of over $2,000,000.

The Hand Trading Company of Pelham, Georgia, another town of 3,000 population, enjoys sales reported to be in excess of $2,000,000 yearly.

Fred W. Anderson, Cozad, Nebraska, a town of 1,300 population, has sales in excess of $325,000 a year.

The Raleigh Hardware Company of Beckley, West Virginia, a town of 8,000 population, has sales of over $700,000 a year.

No doubt there are many other general merchandise stores that have achieved similar success under limited opportunities.

The Independent One-Line Stores.—Retail stores handling but one or a few lines of goods closely followed on the heels of the establishment of the general merchandise stores in American communities. Such retailers have from time immemorial been the chief sources of supply of consumers in the older countries in Europe. The single-line retailer, whether a grocer, fruiterer, confectioner, butcher, baker, jeweler, draper, druggist, or toy seller, is the direct lineal trade descendant of the merchant artisan who formerly both produced and sold these goods from his shop. In many of these special lines, a certain amount of specialized knowledge and skill is

required. The work of a butcher may be compared with that of any other skilled trade. The jeweler's work is likewise a trade, the druggist must have a certain education and must pass an examination before he may be licensed to practice his profession. On the basis of such specialization, retail trade in these lines developed, and despite the rapid growth of department stores and mail order houses, which tend to obliterate these lines, most of the druggists' preparations are still sold through drug stores, most shoes are sold through shoe stores, and most of the jewelry is sold through jewelers.

Specialty Shops.—The term "specialty shop," frequently used, is applied to a type of independent store specializing in such goods as women's apparel, millinery, shoes, hosiery, lingerie, and so on.

The term is not generally applied to all single-line stores. It is not used in connection with grocery stores, meat markets, hardware stores, drug, or furniture stores. It is applied more specifically to single-line stores located in central shopping districts and carrying lines of goods in competition with the types of goods handled by department stores.

Methods of merchandising in specialty shops are much the same as in the departments carrying similar goods within department stores. Many owners and managers of specialty shops in the larger cities were department-store trained. Their specialization in one or a few lines, however, contributes to success in serving particular customers. The detailed methods of operation of specialty stores are considered in connection with the methods of other types of retail institutions in the various parts of this book.

Full Service Retail Stores.—Independent retail stores vary greatly in the services offered to the public. Retail credit and delivery services are to be discussed in detail in Volume II, "Principles of Retail Store Operation," and therefore need only to be mentioned here to complete the general classifications.

Most department stores, and a large majority of independent retail stores, are full service stores.

Cash and Carry Retail Stores.—Retail stores that grant no credit and offer no delivery service have enjoyed widespread growth during the past generation. The limitation of retail service by the elimination of charge accounts is based on the good, sound economic theory that goods should be paid for before, or certainly not later than the time that they are consumed. Groceries, meats, fruits, and vegetables and other articles for immediate consumption are the types of commodities in which the growth of cash and carry retailing has been most rapid.

There are economic bases for the extension of consumer credit on the purchase of homes, automobiles, washing machines, musical instruments, tools, or equipment. Such goods last a long time. They are not immediately consumed. Though they depreciate, the rates of depreciation are such that payment methods may be adjusted so that the repossession value of these goods is always higher than the outstanding amounts due. Consumer payments are made for such goods more rapidly than their values are destroyed or consumed. Time or installment payments are entirely appropriate in such cases and, although authentic statistics are lacking, it is likely that the total volume of credit sales in such commodities is slowly increasing.

The cash and carry method of retailing is the basic method of most chain store systems. There are, however, exceptions in this. There are instances of highly successful chains doing business entirely on credit, and others enjoying both a cash and credit business. An all cash method of selling has been considered fundamental to the success of consumers' cooperative stores, and many consumers' cooperatives have gone to pieces over the failure to observe this rule. Departure from an all cash basis has been found necessary in many cases.

Certain commodities and services are generally sold for cash, whether through chains or independent organizations. There is relatively little charge account business, the country over, in cigar stores, confectionery, soft drinks, moving pictures, and even in drug stores. Roadside markets, which apparently are growing in importance, are conducted on a cash basis. A large part of the mail order business of the country is likewise on a cash basis.

It may be roughly estimated that perhaps half of all of the retail business of the country is conducted on a cash basis.

Consumers are urged to change from a credit to a cash basis of buying commodities, on the grounds that cash buying encourages thrift, prevents overbuying and consequent distress, and most of all, makes it possible to buy goods for lower prices. The advertising of cash retail concerns points out that the credit business tends to deprive the consumer of his freedom to buy and choose what he likes, that the debtor customer is held closely to account by his creditors, and that the finances of many families have been ruined by the credit business.

Probably the most important argument in favor of the retail cash business is its lower selling expenses and the consequent possibility of fixing prices somewhat lower to consumers. Conducting a retail business on a cash basis eliminates all expenses for charge accounting, and collection, and losses from bad debts. The amounts of such costs vary considerably. There are efficiently conducted retail stores in which these costs range as low as 1% of the total credit business and others in which the costs are many times higher than this. Inability to control the costs and losses of a credit business is a highly frequent cause of retail business failure.

As indicated above, the elimination of these costs makes it possible to fix somewhat lower prices on the goods offered to consumers and still maintain the same ratio of net profits, as do the dealers who grant credit. The cost of delivery service

may likewise be eliminated and may be offered to the public in the form of lower-priced goods.

It is not possible, on the basis of such information as is available, to present anything but estimates of the differences in expenses due to the elimination of these surpluses. In the chapter on "Expenses in Retailing," in the author's "Principles of Retail Store Operation," differences in operating expenses are shown between stores granting credit and delivery service and those that do not. For meat markets, as a general average, it is probable that, in efficiently conducted establishments, the costs of operating charge accounts amounts to from 2% to 4% of sales. Delivery expenses probably amount to a similar percentage on goods actually delivered.

The percentages usually given in published statements to show the costs of handling charge accounts and of delivery service are based on total sales and are therefore misleading, as the total sales almost invariably include a high proportion of goods bought for cash and carried by the customer, not delivered. Accurate figures on actual differences in costs are not available. It may be estimated that a retail store carrying charge accounts and making deliveries will average from 3% to 6% of sales in higher expenses than one with a similar volume of business without such service. Other things being equal retail prices may, therefore, be reduced by this much in a strictly cash and carry business without affecting net profits.

The growth of a cash and carry system of retail store service, apparently, indicates a fundamental trend in consumer demand. At any given time it may be presumed that many people prefer and are willing to pay for charge account privileges and delivery services. Cash and carry, with its modest savings in retail prices, is not a sufficient inducement to make them change their places and habits of doing business. Many people do not prefer the cash and carry system for the reason that their purchases are made by servants or by children. In either case it may be inconvenient, or there may be danger

of loss if the servants or children are supplied with cash with which to make purchases. However, apparently the cash and carry method has gradually gained ground over the full service types of retailing, indicating that an increasing number of people have found a more limited type of retail service satisfactory. It is probable that this movement has been favored by changes in standards of living and changes in home and living conditions, such as the tendency to hand-to-mouth buying by consumers, and the purchase of smaller and smaller quantities of daily necessities.

There have been numerous instances in which retailers offering only cash and carry retail service have tried to push beyond the limits of consumer demand and have found, to their loss, an unwillingness on the part of the public to respond by giving its trade. The movement of change from credit to cash is not rapid.

In the aggressive development of chain grocery stores, something of the same condition has become apparent. In order to expand their business, certain chains have had to depart from the cash and carry principle to the extent of offering limited charge accounts and delivery services. The public demand for delivery service is more strongly fixed than the demand for credit. There are, indeed, indications that the trend in reducing delivery service has reached its acme and that, for the present at least, delivery service is increasing.

There is nothing to indicate that the trends toward cash methods of doing business have as yet reached their climax. The movement is likely to continue to grow as long as the trend toward smaller homes and hand-to-mouth buying continues.

Self-Service Stores.—Self-service stores reduce labor requirements to a minimum by eliminating salespeople and all salesmanship, except in so far as selling may be effected by advertising and displays. Self-service has been highly successful in the moderate-priced restaurant business. These restau-

rants are known as cafeterias. Self-service has likewise been widely successful in the sale of groceries. Self-service in the grocery business has been applied by both chains and independent stores, but more widely by chain than by independents. Among the best-known self-service chain grocery store systems in the United States are the Piggly Wiggly system, the Clarence W. Saunders system, the Handy Andy stores, the Helpy Selfy stores, the Nifty Jiffy stores, the Mick-or-Mack stores, and the Jitney Jungles. All of these stores are operated under patented systems using special equipment, advertising ideas, and central buying services offered by the parent companies. The units using these systems may be either single stores independently owned, or chains. For these features the individual stores pay a royalty running from ¼% up to 1% of sales.

The Piggly Wiggly Company, the oldest of these systems, was originally established about 1916 by Clarence W. Saunders, in Memphis, Tennessee. By January 1, 1929, there were nearly 3,000 stores operated under Piggly Wiggly franchise. Mr. Saunders, the founder, separated from the Piggly Wiggly system some years ago and established a new organization on a similar principle known as the Clarence W. Saunders stores.

Self-service has also been utilized in a limited way in the sale of other types of commodities such as women's apparel, millinery, and even men's furnishings and clothing. One of the most remarkable merchandising successes in recent years is the rapid growth of Klein's, a self-service women's apparel retail store in New York City. Men's furnishings, it is reported, are successfully sold by the B. Y. C. store in Memphis, Texas. B. Y. C. means, "Be Your Own Clerk." Many efforts made to establish and conduct self-service stores have proved ineffectual excepting in the grocery and restaurant field. Self-service stores may still be said to be in the experimental stage.

Aside from the novelty, there may be considerable satisfaction to the customer in going about a retail store and helping

Figure 20. Interior of a Piggly Wiggly Store

Showing the convenient arrangement of merchandise for self-service. The Piggly Wiggly system including standard arrangement and fixtures is patented and stores using it do so under licences.

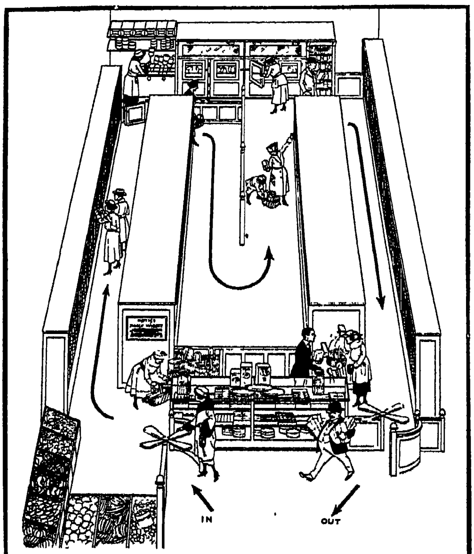

Figure 21. Bird's-Eye Perspective of a Piggly Wiggly Store

Every customer who enters must pass through all parts of the store and see all goods displayed.

oneself from the goods that are laid out or displayed. The system effects some savings, such as salaries for salespeople. It is, of course, not possible to eliminate all clerks unless auto matic vending machines are adopted. There must be cashiers, and wrappers, stock clerks, and others to supervise the store and to prevent pilferage. In many instances, stores started on the self-service basis have gradually reverted to the regular type. Employees quite naturally begin to assist customers in making selections of suitable merchandise whenever called upon, and there is but a short step beyond to full sales service.

Characteristics of Independent Stores.—The first fact to be noted about independent retail stores is their wide variability in all respects. They vary in size, in kinds of goods handled, in qualities of goods offered, in services, and in profits made.

Low Average Retail Sales.—Independent retail stores vary in sales per year from next to nothing to millions of dollars. However, a large proportion of independent stores are relatively small in size and have but a small annual volume. Dr. Julius Klein of the U. S. Department of Commerce, in a radio talk, September 8, 1928, estimated that there might be as many as 750,000 retailers in the country with annual sales of less than $25,000. In the trial census of 11 cities taken in 1927, it was found that nearly 75% of all the retail stores in these 11 cities had sales of less than $25,000 per year. In fact, 28% of all the retail stores had sales of less than $5,000 per year. On the other hand, there were in these 11 cities not less than 40 stores, department stores, whose sales exceeded $5,000,000 a year. In the distribution of the total retail sales volume through independent stores it was found that the 75% of the total number that had sales of less than $25,000 a year had only 27% of the total retail business. While independent retail stores with a sales volume in excess of $1,000,000 a year

had over 30% of the entire retail business. These facts are clearly presented in Table 2.

TABLE 2. DISTRIBUTION OF THE NUMBER OF INDEPENDENT STORES AND SALES IN 11 AMERICAN CITIES

(From Retail and Wholesale Trade of 11 Cities)

Annual Sales	No. of Stores	% of Total	Sales	% of Total
Less than $5,000	22,388	28.06	$ 50,611,500	1.68
$ 5,000 to $ 9,999	14,747	18.50	107,322,100	3.56
10,000 to 24,999	22,409	28 09	349,759,800	11 62
25,000 to 49,999	11,174	14.01	379,757,100	12.61
50,000 to 99,999	5,184	6.50	352,392,900	11.70
100,000 to 249,999	2,452	3 07	372,614,600	12.37
250,000 to 499,999	839	1.05	292,500,800	9 71
500,000 to 999,999	322	.40	217,943,300	7.24
1,000,000 to 4,999,999	213	.27	393,865,400	13 08
5,000,000 and over	40	.05	404,322,800	16 43
Total	79,778	100.00	$3,011,090,300	100.00

The difficulties of independent retailing may be inferred from the fact that in many lines, according to experts, it is impossible to conduct a successful business and pay all expenses, including living wages on sales volumes as low as those found in the majority of the retail stores listed in the table referred to above. It has been stated that it requires a sales volume of not less than $16,000 a year to run a meat market, $25,000 a year to carry on a successful grocery store, and a sales volume of not less than $50,000 a year to carry on a successful drug store. The majority of retail stores fall far below these figures.

The Gradual Decline in Importance of Independent Retail Stores.—Perhaps the most important change in recent business history is the gradual relative decline in importance of independent stores as distributors of consumer goods, and the meteoric rise of department stores, mail order houses, and chain store systems. In later chapters, descriptions of the

developments of these new forms of retailing will be outlined in detail. Due to the growth in population and rapid rise in incomes and standards of living, the total volume of retail trade has been rising rapidly for several years. To a large extent, the system of distribution through independent retail stores has not shared in this increase in trade. Most of it has found its way through the channels of the newer types of retail distribution. Indeed, there are indications that independent

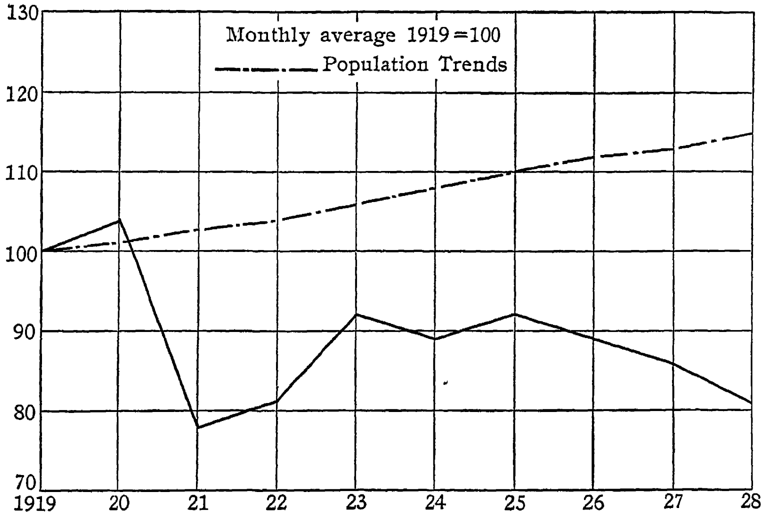

Figure 22. Wholesale Trade Index
From statistics compiled by the Federal Reserve Board, February, 1929.

retail stores, at least in recent years, have not even held their own.

The lack of accurate statistics on retail trade makes it difficult to determine precisely what has been going on, but there are certain indications which point to the conclusions as to the trends of trade in independent retail stores mentioned above. The statistical department of the Federal Reserve system has been gathering information on the trends of sales of various groups of distributing institutions since 1919. There

are excellent series of such statistics for department stores, chain stores, and the larger mail order houses. It has not been found possible to obtain such statistics on the trends of sales in independent retail stores, but since such stores make a large part, if not most, of their purchases through wholesale houses, the Federal Reserve index of the sales trends in the wholesale field may be taken as a fair indication of the general trend in sales in independent retail stores as well, Figure 22, page 113, prepared from the Federal Reserve statistics on wholesale trade from 1919 down to the end of 1928, not only indicates that the wholesale trade has not held its own, but that independent retail stores, which constitute wholesalers' principal outlets, have probably likewise lost ground. On the other hand, there are large numbers of independent stores constantly coming into existence. Despite the rapid establishment of chain stores going on at the present time (1929), there are at least three or four times as many new independent stores started per month, as chain stores. The rate of discontinuance of independent stores as compared with chain stores is even higher. Independent stores come and go at a very much more rapid rate than chain stores, but their total number at any given time still remains very high.[1]

Elements of Vitality in Independent Retail Stores.—Much has been said about the possible elimination of independent retailers by other forms of retailing, particularly chain stores. A careful survey of retailing, the world over, indicates that the independent retail store has never, so far, been completely eliminated. This type of retailing is able to survive in some fashion under almost all conditions. The independent store is to be found in communities too small, too poor, or too

[1] Report of Commercial Service Co., New York and Chicago. "The greatest increases among independents were in the automobile accessory and oil filling station fields, followed by restaurants with women's furnishing and millinery lines coming next. . . ." In addition to rapid increases in the foregoing fields for chain stores also the latter showed increases in "department stores, general, variety and dry goods lines with grocery and meat lines coming next. . . . The greatest decreases among independents are in the field grouped as department, general, variety and dry goods merchants."

far out of the way to be of any interest or to offer any possible means of existence for any other type of retailing. The independent retail store has survived the severe competition of chains in communities in which chain stores have apparently almost reached the saturation point. They have lived through the very active competition of consumers' cooperatives in England. They have continued to exist in the face of governmental regulation and hostility in Soviet Russia. The influence of the independent retail distributor may be, and undoubtedly is, declining in America at the present time, but it seems utter nonsense to believe that the independent retailer may be completely driven out of existence.

There are qualities in independent retailing that fit it for survival under almost all conditions.

The personal and direct ownership of an independent retail business makes it possible to change its methods or policies whenever such changes may be needed to suit customers. Prompt decisions, respecting any or all matters, may be made in such establishments, whether it be to decide to join the local chamber of commerce, to participate in community movements, to employ some one who may be of help in developing the business, to contribute to charities, or to act on any other matters of store operation.

There is a personal incentive in the independently owned retail store that, for many people, serves as the greatest incentive to effort in the world. Many people would rather work for themselves, even in small shops, and devote their entire energies thereto, than to work for others at even higher incomes. Large organizations, through effective personnel methods, aim at the results achieved through personal ownership as an ideal. Under close supervision and effective drive, such results may be approximated but probably never equaled.

The close personal contact of the owner and the manager of an independent retail store with his public, is another factor of great importance in its continued success. Customers are

received as acquaintances and friends. Complaints may be instantly satisfied, lost sales retrieved, and accommodation arranged to suit the individual requirement. Through this close contact with his customers, the independent merchant may study their likes and dislikes, and in that way closely determine his stock requirements.

The close contact with the public and direct personal interest in selling, induce a supervision over employees which prevents the raw, crude incidents that happen daily to customers served by inefficient salespeople in department stores and chain stores. In small stores the number of customers is not at any time very great, so that there is a possibility not only for alert, aggressive selling but special, personal attention to every customer.

The small size of the average independent retail store has its disadvantages, but it likewise permits its owner and manager to have an intimate knowledge of his stock, such as can be secured only by the most carefully devised and expensive stock control system in larger institutions.

The independent ownership and management of a retail store permits a high degree of elasticity in its policies on when to open and to close shop. Small, independent stores are frequently kept open to serve customers during long evening hours and on Sundays and holidays. Such policies would be practically impossible in institutions operated by employees.

Small, independently operated retail stores may, and frequently do, carry merchandise such as chain stores and department stores have found unprofitable. Among such goods are the highly perishable, ready-cooked and ready-to-serve foods, slow turning goods, unusual qualities in merchandise appealing to local groups of customers, and so on.

In all theoretical discussions relative to operating expenses in retail stores, it is properly assumed that a certain volume of business is requisite to the successful operation of a unit and that sales below these minimum amounts must raise operating

expenses out of line with competition. Actually, in thousands of instances, it does not work out in this way. As a matter of fact, actual operating expenses in small, independent, retail stores are very low. There is no type of retailing institution in existence that can sell the quantities and qualities of goods distributed by such stores on the low expense found therein.

These exceptions to the theory of retail operating expenses are due to certain widespread artificial conditions. In multitudes of independent stores there are no hired employees. The owner may not even allow himself or herself a regular salary. During rush periods and other times when the head of the store must be absent, other members of the family assist in his duties, likewise without pay. Rent is cut to a minimum in a great many small stores by the use of an upper floor or part of the space occupied by the store itself as a residence. Items of expense, such as for supplies, electric light, heat, water, and so on, are most carefully controlled. The discounts from the regular retail prices obtained on goods consumed by the retailer and his family are an important part of his income. In many cases, the net revenue obtained from the store is supplemented by income or earnings from other sources.

To be sure, if all factors contributing to the operation of retail stores, such as just described, were to be placed on a business basis, and proper charges at market rates set up for each, then the operating expenses in stores with small sales would mount to impossible heights. As it is, the operations of these stores are conducted on such ordinary competitive gross margins as may be obtained on the sales. These small shops, of which there are multitudes, enjoy no market advantages when purchasing goods. Having no buying power, they get no quantity or other special discounts. Their gross profit margins average lower than for any other type of retailer. If conditions allowed them to purchase their goods at prices as low as those obtained in larger mercantile institutions, such

small shops operated on such narrow operating expenses would be exceedingly profitable, but, as their sales increase and as they become more successful, hired help replaces the unpaid services of members of the family, more space is required, and higher rentals expended, and so on through the list of operating expenses. In conclusion, although it may be definitely shown that a grocery store cannot be operated on a business basis on sales of less than $25,000 a year, it is not safe to assume that small shops with sales amounting to $10,000, $5,000 or even less per year are not successful in their operations. Nor is it safe to assume that the existence of such stores adds to the costs of distribution of goods. It is more than likely that the existence of great numbers of small shops, operated only partly on a strictly self-sustaining basis, results in a competition of services as well as prices from which the consuming public profits immeasurably.

In the foregoing paragraph, there were enumerated some of the factors pointing to the continued existence and even strength of distribution of goods through small, independent, retail stores. Where the independent retailer fully utilizes such opportunities as exist for him, he can scarcely be forced out of business, and there is even the promise of some degree of success for those who must effectively meet the difficult conditions of modern trade. One of the means by which the independent retailer has strengthened his position is by increased education in methods of merchandising, by meeting present-day requirements for attractive displays, cleanliness, good lighting, and modern equipment.

There is obviously great vitality in the system of distribution through independent retailers. The mortality rate among such retailers is high and has always been high. Whenever a retailer drops out there is almost always another to take his place to make another trial. Out of the many efforts, an occasional store makes a success, and out of the many efforts

lessons may be drawn which, when properly applied, may guide those who come after.

Weaknesses of the Independent Retail Store.—The most obvious weaknesses of the small independent retail store are its failures to use its own natural resources. Carelessness, ignorance, incompetence, and lack of energy and business ability are as fatal to success in the independent retail store business as in any other line. The ease with which entry may be made into the retail business throngs its channels with people who have no aptitude, no education, no experience, nor other necessary qualifications for this business. The wonder to many students of the retail business is that more do not fail. More specifically, perhaps the greatest difficulty encountered by the small independent is his low buying power, poor contact with wholesale and manufacturing markets, inadequate knowledge of what to buy and inability to keep his stock within limits necessary to secure an active turnover. The average independent retailer is decidedly handicapped by his lack of time and opportunity to visit sources of supply, and also by the amount of his time consumed by the hosts of wholesalers' and manufacturers' salesmen who call upon him, and through every device known to the art of salesmanship contrive to secure his attention, and take up some of his time that might be put to better use in keeping his store in order, preparing better displays, getting out from house to house among his customers, and so on.

The small quantity of each item purchased makes it necessary for the small independent retailer to pay the highest prices, while his competitors are enabled to own their merchandise at considerably lower costs.

The location occupied by the independent retailer is at once either his strength or his weakness. It is his strength if it happens to be a good location, it is a weakness if it happens to be a bad location. His future is largely tied up in his location. A chain store may occasionally make a mistake in choice of loca-

tion, and after discovering its mistake pull up out of it. It is difficult for an independent retailer to exercise such mobility. Usually, though not always, the independent retailer sinks or swims with the success of his location.

The lack of opportunity for specialization is a tremendous handicap to the independent retailer. In selling, many independent retailers find it impossible to use certain forms of advertising which are very effective for other types of stores. Independent retailers, as a rule, have no special knowledge of the intricacies of direct mail and handbill advertising, the only kinds that may be effectively used.

In accounting, most independent retailers are forced by a lack of time to adopt the simplest methods they can devise, and these usually fail to give the results that modern retailing requires. The credit system, commonly found among small retailers, is a means of holding customers to the store, but it likewise is the cause of failure of numberless independent retailers. Slackness in handling charge accounts is a certain method of being forced out of the business.

Control of stock without systematic methods, even under close supervision, has its difficulties. Actual examination of inventories of many independent retail stores has invariably shown a high percentage of old, out-of-date, depreciated goods on hand. Buying errors are frequent. Varieties and qualities are selected which are not wanted by customers. It is not uncommon to find that half of the stock carried has little or no sale.

Independent retailers are usually slow in sensing changes in consumer demand. They are prone to hope that such changes are but temporary and that the former demands will again assert themselves, a hope probably never actually realized.

The lack of specific knowledge of possible standards of performance among independent retailers leads to easy-going working methods. Salespeople who are inefficient are kept on their jobs much longer than they should be. Advertising is

repeated which, if properly tested, would be eliminated. The store is allowed to drift along on fair accomplishments when a closer analysis and a more effective administration might make it grow by leaps and bounds.

Independent retail stores vary in building and equipment as much as in any other respect. Some of the best located retail stores in existence are independently owned and managed. The majority of independent stores, unfortunately, are not like the best. Careless, slipshod thinking as regards the value of appearance is frequent. Fixtures are more often than not poor, dingy and inadequate. In no respect is the independent retail store more frequently found inadequate than in comparison with chain or department stores in its use of lighting, both in its windows and interior. These conditions, some of which may be remedied, are now recognized as a detriment to the independent retail store.

It is scarcely fair to characterize any large group of people in any specific, critical way. Independent retailers in their human qualities are undoubtedly very much like other human beings. They are probably neither better nor worse. It seems safe to say, however, that a great many independent retailers are characterized by a very high degree of individualism and, at the same time, of conservatism. They want to be left alone. They dislike change. They want to run their businesses in their own way. They are antagonized by suggestions. They do not easily learn from competition. They would rather conduct their businesses at a loss in their own way than to make money under direction.

The great majority of independent retailers apparently do not read. There are a number of trade papers in the retail field representing practically every type of retailing. Most of these trade papers have very small circulations, and the observation of countless unopened copies in literally hundreds of independent retailers' stores has led the writer to the conclusion

that, small as trade paper circulation is, its actual readers are still fewer.

When questioned as to the type of trade literature desired, independent retailers usually say they want "Brass tack stuff." By this expression they mean that they want articles that will tell them what to do, how to do the work of the retail store, how to meet competition. They apparently desire recipes giving specific directions indicating what shall be used, how it shall be used and what the net results will be. They are, by and large, not interested in retailing theory, and there is a general lack of faith in the possibility of learning anything from other lines. Rarely does the grocer think that he can gain any suggestion from a dry goods or department store, and a druggist will ridicule the possibility of learning anything from a milliner.

Independent retailers are, as a rule, not good cooperators. The masses of retailers do not even belong to their local or national trade associations. A few years ago, it was carefully estimated that not more than 4% of all the independent retailers in the country were members of associations. There has been considerable progress in this respect, but the number now in associations, whatever it may be, is pitifully small. Retailers' trade associations were formerly largely dominated by a few politically-minded members and largely supported and controlled by wholesalers and manufacturers.

When hit by some new form of competition, however, a great many retailers, instead of studying ways and means of meeting this competition, merely cry and wring their hands. From whatever the source that competition arises, whether department stores, mail order houses, house-to-house selling, or chain stores, the first thought seems to be to try to secure the help of legislation or of the courts to stop the competition. Probably every state legislature in the Union has been asked not only once but many times by retail dealers to curb their

competitors. Instead of revising their own methods within their own stores to meet the new conditions of competition, there is too frequently a tendency to appeal to the public for help on some ethical, patriotic, political, or even religious ground. The fact that these appeals rarely ever succeed apparently does not discourage new groups of retailers from using them, for their knowledge of the history of retailing, is, of course, very limited.

Changes Going On in Independent Retailing.—The criticisms of independent retailers presented in the foregoing paragraph are, of course, limited in their application. There are great numbers of independent retailers who are as intelligent, as progressive, as far-seeing, and as broadminded as any found in other businesses or professions. Leading retailers of almost every community have been in the forefront of all movements for social development and betterment. The contributions of retailers to their communities may always be favorably compared with those of any other group.

Independent retailing is also undergoing radical, widespread changes. The old unplanned, unorganized methods of doing business are slowly giving way on every hand. During the past twenty years, much progress has been made in the development of simple accounting among independent retail stores. Practically all progressive retailers, who, unfortunately, do not yet constitute a majority, know how to compute their store costs of doing business and how to prepare operating statements and balance sheets.

Independent retailers are much more wary than they formerly were of trends in consumer demand, and there has been a very rapid development of cooperation in various forms among all classes of independent stores. Through cooperative action, thousands of independent retailers are securing for themselves many advantages formerly enjoyed only by chains and other large retail concerns.

Finally, the most obvious indications of the rapid change going on in the field of independent retail stores are the remodeling of stores, the construction of new show windows by the thousands, the installation of new equipment and fixtures, and the growing efforts to secure effective displays of merchandise.

CHAPTER VI

THE DEPARTMENT STORE

What a Department Store Is.—The department store is a retailing institution that deals in many lines of goods, each line separated or "departmentized" from the rest, both in location within the building and in the concerns' systems of accounting and management. Each department is conducted practically as a store in itself. In large stores each department has its separate organization consisting of a buyer, or department manager, and salespeople, much the same as any independent store.

Technically, any retail store dealing in many lines, if departmentized, is a department store. Thus there may be and there are food department stores, drug department stores, clothing department stores, and so on. The trend in all retail stores is toward departmentization. In common practice, however, the term is applied only to stores in which dry goods, apparel, and home furnishings are handled. It is in this narrower sense that the term is used throughout this book.

The term "department store" has not always been received with favor by the managers of some of the largest and most representative institutions of this kind. "United stores," "consolidated stores," and other names have been suggested as more appropriate. Where this disfavor existed it was probably due to the fact that the term, "department store," was early claimed by many catch-penny concerns doing business on planes that tended to put all stores so called into disrepute. John Wanamaker, throughout his long business life, never favored the name, department store, as applied to his stores. This early feeling about the name has now largely passed away.

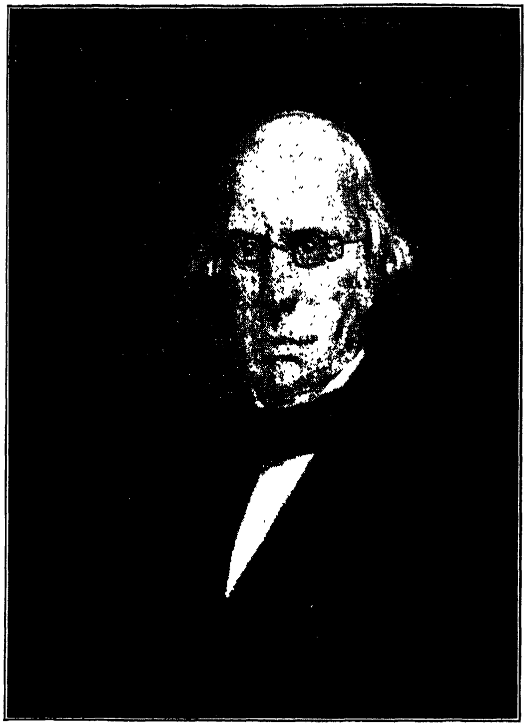

Figure 23. Aaron Arnold (1794-1876)

Founder of Arnold, Constable & Co., New York. First store was established on Front Street in 1827. In 1857 it was moved to Canal, Mercer and Howard Streets. In 1869 it was moved to Broadway and 19th Street, and to its present location on Fifth Avenue and 40th Street in 1915. This picture has been reproduced from an oil painting courteously loaned by Mr. Isaac Lieberman, Président of Arnold, Constable & Co.

Origins of the Department Store.—Although department stores in this country did not come into existence before the latter half of the nineteenth century, their origins are hard to trace. It is fairly certain that department stores originated in Europe, probably in Paris, and antedated American department stores by several years. The Bon Marché of Paris has often been credited with being the first in the world.

Just when and where the first departmentized store in America came into existence has not yet been definitely determined. There have been several claimants. It may have had a beginning simultaneously in several places.

It is certain, however, that the idea of departmentization in retail store work became well established in at least a few stores during the 1860's; among them, Jordan Marsh & Company in Boston and A. T. Stewart in New York. A description of the A. T. Stewart New York store, written in 1870, shows that this store was clearly operated on a department basis at that date.

"The accounts of each department are kept separate and the sales of each for the day constitute a separate return. These sales will average something like the following figures:

Silks	$15,000	Gloves	$1,000
Dress goods	6,000	Furs	1,000
Muslins	3,000	Hosiery	600
Laces	2,000	Boys' clothing	700
Shawls	2,500	Notions	600
Suits	1,000	Embroideries	1,000
Calicoes	1,500	Carpets	5,500
Velvets	2,000		

"The total daily receipts average $60,000 and have been known to amount to $87,000."[1]

A further quotation from this book describing the organization of A. T. Stewart's store supplements the evidence just presented that this store was then fully departmentized and,

[1] Jas. D. McCabe, Jr., Great Fortunes and How They Were Made, October 24, 1870.

Figure 24. Alexander Turney Stewart (1795-1876)
Probably the greatest retail merchant of the third quarter of the nineteenth century in America. Department store organization and operation were instituted by him in his New York retail store in the early 1860's.

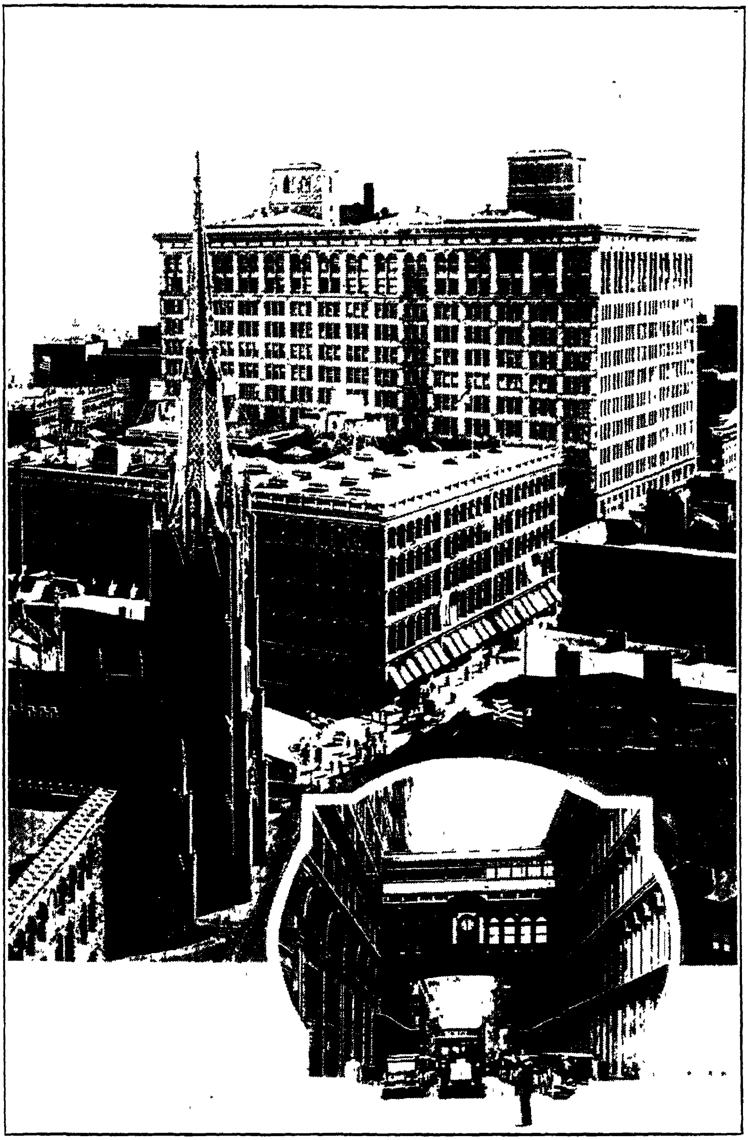

Figure 25. A. T. Stewart and New York Wanamaker Store

The A. T. Stewart store in foreground was completed and first occupied early in 1863. It was then the largest and best equipped store in the country. The large building in the background, now the principal part of the store, is of recent construction. The buildings are connected by a bridge shown in the inset at the bottom of the page.

at the same time, presents an interesting description of early American department store organization.

"The service of this immense establishment is arranged as follows: There is one general superintendent, with nineteen assistants, each of whom is at the head of a department. Nine

Figure 26. Samuel Lord (1801-1889)

Founder of the Lord & Taylor Store. Reproduced by the courtesy of Mr. Samuel Reyburn, President of Lord & Taylor, from "The History of Lord & Taylor," published in 1926.

cashiers receive and pay out money; twenty-five book-keepers keep the record of the day; thirty ushers direct purchasers to the department they seek; two hundred cash boys receive the money and bring back the change of purchasers; four hundred and seventy clerks, a few of whom are females, make the sales of the day; fifty porters do the heavy work, and nine hundred seamstresses are employed in the manufacturing department. Besides these, there are usually about five hundred other persons employed about the establishment in various capacities,

bringing the total strength of the personelle of the house to twenty-two hundred."

The A. T. Stewart store building was described as consisting of "five stories and an attic in height, and with two

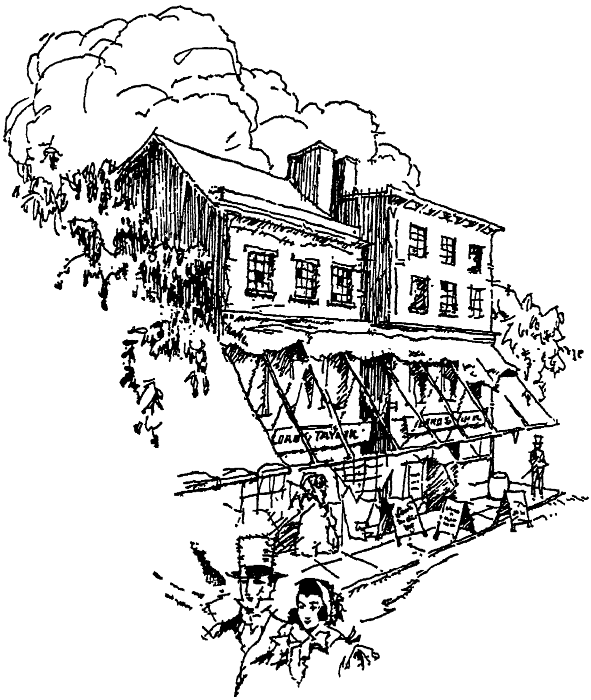

Figure 27. Lord & Taylor's First Store, 1826, at 47 Catherine Street, New York

This illustration, together with Figures 25, 26, 27, and 28, are reproduced by courtesy of Mr. Samuel Reyburn, President of Lord & Taylor, from "The History of Lord & Taylor," published in celebration of the centennial anniversary of the concern in 1926. These views not only illustrate the development of a great American retail store but also the changes in types of retail store architecture. Each may be taken as representing the high level of architectural taste and efficiency of its time.

cellars underneath. It was warmed by steam and contained several steam engines for hoisting goods, running the machines employed in the manufacturing department and forcing water into the tank on the roof of the building. There were six ele-

Figure 28. Lord & Taylor's Second Store, 1853, at Grand and Chrystie Streets, New York. Note the rotunda and cathedral windows

Figure 29. Lord & Taylor's Third Store, 1860, at Grand Street and Broadway

vators, three of which were used by customers and the others for store service. The building was lighted by several thousand gas jets which were all set aflame simultaneously by electricity."

The A. T. Stewart building was completed and occupied in 1863. In view of the advanced development of the departmental idea that the quotations presented above show then existed, it is reasonable to assume that the processes of experimentation

Figure 30. Lord & Taylor's Fourth Store, 1872, at Twentieth Street and Broadway, the first iron frame store in New York City

and application of departmentizing must have been carried on for several years prior. It seems likely that A. T. Stewart may have had a departmentized plan of operation at least as early as the opening of the Ninth Street and Broadway store in 1862. It is also likely that other keen merchants of the same period were quietly modifying their organizations toward the department store idea. Departmentizing was an inevitable development of the growing size and volume of retail stores.

The leading American retailers in the 1850's and 1860's who regularly visited Paris and other European markets in quest of goods for their American customers, must have observed the methods of operation of the Bon Marché and other Paris department stores that came into existence and flourished

Figure 31. Lord & Taylor's Present Store, 1914, at Fifth Avenue and 38th Street

Architecture in Italian Renaissance style. Both externally and internally one of the most beautiful retail stores in the world.

during the period of the French Second Empire. It seems probable that the department store idea may have been given consideration by American retailers as early as the 1850's, or at least in the early 1860's.

Whatever its origins, the department store idea spread quickly throughout the 1870's in the United States. It is known

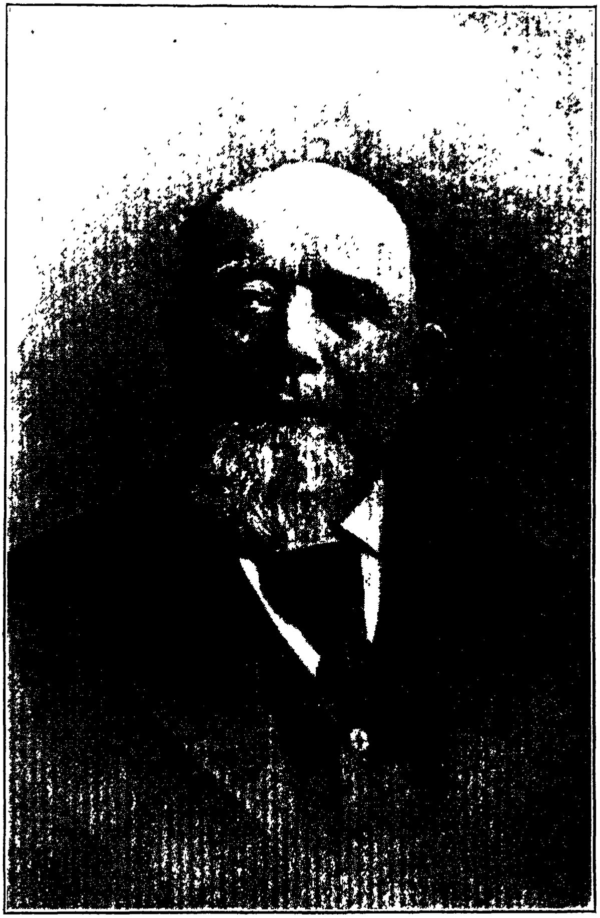

Figure 32. Adam Gimbel (1817-1897)

Founder of the house of Gimbel Bros., owners of a large department store chain. First store established Vincennes, Indiana, in 1842; Milwaukee store opened in 1886; Philadelphia store, 1894; New York store, 1910; Saks-Herald Square store acquired in 1923; Saks-Fifth Avenue store opened in 1923; Kaufmann & Baer Co., Pittsburgh, acquired in 1926; and Saks-Fifth Avenue shop in Chicago opened in 1928.

Figure 33. Eben D. Jordan, Sr. (1822-1895)

Founder of Jordan Marsh Co., Boston, now a part of Hahn Department Stores, a chain of department stores. Eben D. Jordan, Sr., started his first business in Boston in 1841. A partnership was formed with Benjamin L. Marsh in the wholesale dry goods business in 1851. The concern re-entered the retail business in 1861.

that the A. T. Stewart store in New York attracted a great many out-of-town visitors during the 1860's. It may be safely assumed that any methods of retail store operation there used were observed, studied, and, if favorably considered, quickly adopted elsewhere. The departmentizing processes applied at the start were probably very crude, and the refinements that have helped to make the real modern department store, as we know it today, constituted a part of a gradual development in which many stores participated.

Department stores now in existence in America originated in several ways as follows:

1. The general merchandise store, once so common, and still found in large numbers of country towns, handling many classes of goods but not departmentized, is considered by some as the prototype of the modern department store. There is certainly a similarity in the functions performed by the two institutions, but their respective organizations are very different. There are a number of department stores now in existence that trace their origins back to general merchandise stores. In the evolution of retailing the general merchandise store often gave way to specialty or one-line stores, and the department store in some cases appeared only after the specialty and unit stores of the community had become well-established.

2. A large number of department stores trace their beginnings to dry goods stores. The rapid growth during the 1870's, 1880's, and 1890's in factory production of textiles and of goods formerly made in the homes, such as women's and children's ready-to-wear underwear, hosiery, millinery, laces, embroideries, and household goods of all kinds created a strong demand for outlets catering to women customers. Since the dry goods stores were first in the field as suppliers of women's needs, they very often and very naturally became the dealers in these new lines of goods. Systematic operating methods led to separate management in these lines and so dry goods stores expanded into department stores. The competition among dry

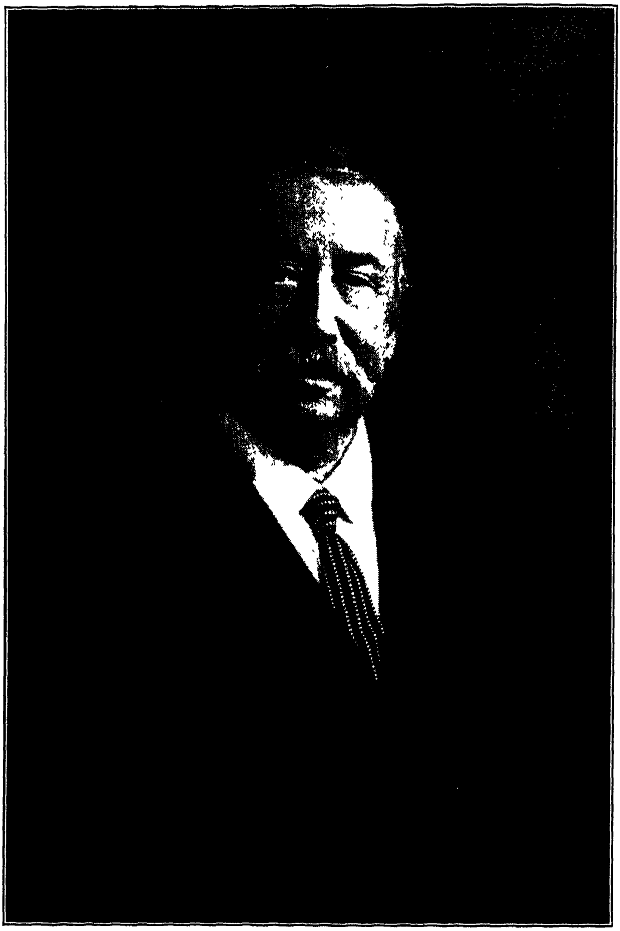

Figure 34. Benjamin Altman (1840-1913)

Founder of B. Altman & Co., New York. From the humblest of beginnings he developed a retail business, famous not only for its size but also for the quality and artistic merit of merchandise carried. His first store was established in 1865 at Third ave. and 10th street. In 1876 he located at Sixth ave. and 19th street. The present Altman Store at Fifth ave. and 34th street was first occupied in 1906.

goods merchants, and the narrowing profit margins on the older lines of goods, such as the textile staples, helped to make the dry goods merchants more ready to take on the new lines and to expand their stores by adding new departments.

3. Other department stores, such as Frederick & Nelson's in Seattle, started as furniture and home furnishings stores. Still others such as F. & R. Lazarus & Sons of Columbus and, indeed, John Wanamaker's of Philadelphia, started as men's clothing and furnishing stores. The Fair in Chicago, established in 1875, first dealt in jewelry, notions, hardware, kitchen utensils, and crockery. It became a department store by buying out several nearby stores and combining them under one management and later under one roof. A number of department stores established within the last thirty years started as specialty shops handling women's and children's apparel. Many retail department stores were connected with or established as outlets for wholesale dry goods stores. Some of these were mentioned in Chapter IV.

4. In some cases, the department store had its origin in consolidations of several retail stores conducted by as many individuals under one roof. It has long been customary for the owner of a retail store building, or the lessee of the portion suited for store purposes, to sublease different parts of the space to different persons, with the understanding that each should conduct a retail business thereon in specified lines of goods, usually not competing with other lines of goods offered in each other's departments. There are a few stores which are still such agglomerations of separately owned and managed departments. One of the best instances of this type of institution is the Leiter Stores of Chicago, composed entirely of leased shops. Leased departments are exceedingly common in department stores even today. Whenever the ownership of several stores conducted under one roof passed to one individual, a department store came into existence.

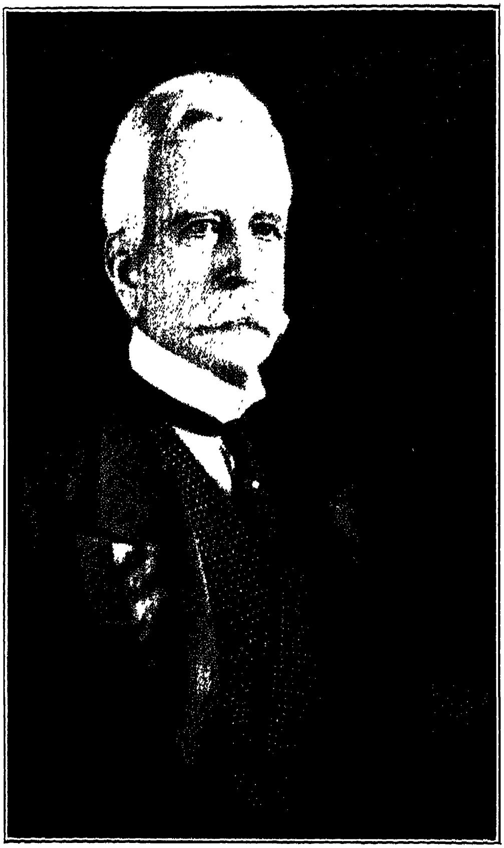

Figure 35. Marshall Field (1835-1906)

Founder of the great Chicago retail and wholesale concerns of Marshall Field & Co. The retail store is understood to have a larger retail sales volume than any other single retail unit in the world. Marshall Field possessed to a high degree a keen insight and accurate knowledge of consumer demand and trends and a genius for business organization.

Period of Rapid Development.—During the period following the business depression of 1873-1874, this country saw a rapid development of department stores. For many years following the close of the Civil War, prices of all commodities handled in retail stores fell, competition stiffened, new methods of merchandising came into use. To use a stock exchange term, the "bears" ruled the retail markets. The conditions in 1873 must have been somewhat the same as during the business depression of 1920-1921. Retailers, as well as wholesalers and manufacturers, with their shelves loaded with stocks bought at high prices, suffered frightful losses. Many of the old storekeepers were unable to adapt their businesses so as to buy and sell profitably under these new conditions. Out of these circumstances grew the tendency among large retailers to seek out bargains directly from manufacturers, to buy for cash, and to sell quickly by offering the merchandise at prices much lower than usual. Profits per sale declined, but stocks turned oftener. Special sales were featured. Advertising was applied to help sell the goods. In the meantime the demand of the public for goods increased both in variety and amount. Under these conditions the department stores grew rapidly.

Present Development of Department Stores.—Differences of opinion as to what constitutes a department store make estimates of the total number of department stores in the country of little worth, and comparisons of one estimate with another valueless. Current estimates of the number of department stores in existence range from 200 up to 12,000 or 15,000. These wide differences are due mainly to differences in definition. The U. S. Census of Occupations for 1920 enumerated nearly 12,000 persons who stated that their occupations were department store dealers. Using the term department store in its more limited sense, described at the opening of this chapter, there are, of course, not nearly so many department stores as

Figure 36. John Wanamaker (1837-1922)

Founder of the Wanamaker Stores, New York and Philadelphia. One of America's greatest merchants. John Wanamaker possessed a special genius for the organization and execution of successful retail publicity. The Wanamaker stores probably have a longer list of advertising successes to their credit than any other retail institution.

indicated by the number of persons who called themselves department store dealers at the 1920 census.

Mailing list concerns offer classified lists, said to include only authentic department stores, ranging from 5,000 to 6,000 addresses. Perhaps the best detailed estimate of the number and distribution of department stores so far prepared has come from the Market Research Department of the Fairchild Publications. In a survey completed in 1925, summarized in Tables 3 and 4, there were enumerated altogether 4,015 stores of all sizes ranging from ratings as low as $5,000 up to more than $1,000,000 and distributed in communities of 10,000 population and up. The sales for this group for the year 1924 were estimated at slightly less than $4,000,000,000.

In arriving at this estimate, the Market Research Department of the Fairchild Publications included only such retail stores as handled both ready-to-wear apparel and yard goods. This definition eliminates a great many large departmentized retail stores, such as William Filene's Sons Co. in Boston;

TABLE 3. ESTIMATES OF NUMBER OF DEPARTMENT STORES AND OF SALES FOR 1924

(Compiled by the Marketing Research Department of Fairchild Publications. From *Women's Wear*, September 5, 1925.)

Groups of Department Stores Arranged According to the Size of Their Operating Capital	Total of Operating Capital	Total of Yearly Net Sales
(1) 831 stores $ 5,000 to $ 10,000	$ 6,232,000	$ 31,970,000
(2) 693 stores 10,000 to 20,000	10,395,000	53,326,000
(3) 448 stores 20,000 to 35,000	12,320,000	63,202,000
(4) 413 stores 35,000 to 50,000	17,552,000	90,042,000
(5) 249 stores 50,000 to 75,000	15,562,000	79,833,000
(6) 351 stores 75,000 to 125,000	35,100,000	180,063,000
(7) 294 stores 125,000 to 200,000	47,775,000	245,086,000
(8) 255 stores 200,000 to 300,000	83,750,000	429,637,000
(9) 130 stores 300,000 to 500,000	52,000,000	266,760,000
(10) 80 stores 500,000 to 750,000	50,000,000	256,500,000
(11) 92 stores 750,000 to 1,000,000	80,500,000	412,965,000
(12) 179 stores over $1,000,000	350,000,000	1,795,500,000
4,015 stores of all sizes with total	$761,186,000	$3,904,884,000

TABLE 4. GEOGRAPHICAL DISTRIBUTION OF DEPARTMENT STORES BY SECTIONS AND BY SIZE OF CITIES

(Compiled by the Marketing Research Department of Fairchild Publications. From *Women's Wear*, September 5, 1925.)

State Groups	Cities with Population of			
	10,000–25,000	25,000–50,000	50,000–100,000	Over 100,000
NEW ENGLAND STATES: (Me., N. H., Vt., Mass., R. I., Conn.)				
Population	1,089,660	1,046,400	797,400	2,470,100
No. of department stores	115	81	35	101
Population per store	9,474	12,918	22,782	24,455
MIDDLE ATLANTIC STATES: (N. Y., N. J., Pa.)				
Population	1,744,500	1,145,500	1,493,000	11,775,000
No. of department stores	420	159	151	218
Population per store	4,153	7,204	9,887	54,013
E. NORTH CENTRAL STATES: (O., Ill., Ind., Mich., Wis.)				
Population	1,668,700	1,627,300	1,074,400	7,888,300
No. of department stores	319	228	112	226
Population per store	5,231	7,137	9,593	34,904
W. NORTH CENTRAL STATES: (Minn., Ia., Mo., N. D., S. D., Neb., Kan.)				
Population	701,700	310,200	320,300	2,888,300
No. of department stores	169	38	32	92
Population per store	4,092	8,163	10,009	31,394
So. ATLANTIC STATES: (Del., Md., D. C., Va., W. Va., N. C., S. C., Ga., Fla.)				
Population	537,100	628,200	754,300	1,822,200
No. of department stores	128	169	95	104
Population per store	4,196	3,717	7,940	17,521
E. SOUTH CENTRAL STATES: (Ky., Tenn., Ala., Miss.)				
Population	356,500	230,000	210,000	883,900
No. of department stores	156	32	14	32
Population per store	2,285	7,187	15,000	28,246
W. SOUTH CENTRAL STATES: (Ark., La., Okla., Tex.)				
Population	648,200	341,900	322,200	1,235,000
No. department stores	213	49	24	44
Population per store	3,043	6,977	13,425	28,068
MOUNTAIN STATES: (Mont., Ida., Wyo., Colo., Ariz., Utah, Nev., N. M.)				
Population	307,500	210,300	52,000	381,500
No. of department stores	86	19	3	12
Population per store	3,575	11,068	17,333	31,790
PACIFIC STATES: (Wash., Ore., Cal.)				
Population	431,000	372,200	260,900	2,950,100
No. department stores	137	44	23	135
Population per store	3,146	8,457	11,343	21,852
ENTIRE COUNTRY: Population	7,484,800	5,912,000	5,284,500	32,294,400
No. of department stores	1,743	819	489	964
Population per store	4,294	7,218	10,803	33,500

Franklin Simon, Bonwit Teller & Co., and Best & Co. in New York; Chas. A. Stevens & Co. in Chicago; and many other large stores throughout the country that have many departments and use regular department store methods but do not happen to carry yard goods. The inclusion of a yard goods department as a necessary part of a department store, it is felt, results in a classification that is too narrow. If the trend of decreasing sales in yard goods that has been noted for several years should continue, the time is not far distant when, according to this definition, there will be very few department stores left. It is believed that a broader definition of department stores will prove more helpful.

While the Fairchild study for convenience's sake decided to consider only such department stores as were to be found in cities with populations above 10,000, there are, undoubtedly, a great many small department stores in cities under 10,000 population, and in the aggregate they must enjoy a fairly large volume of business. It is in cities of 10,000 and under where one may find the best developments of general merchandise stores that have been turned into department stores.

Including many stores not counted in the Fairchild survey in an independent estimate, the writer of this book places the figure at about 8,000 department stores with a total sales volume of $6,500,000,000 for the year 1928. This estimate roughly includes all stores of the type defined in this chapter.

Though one may differ as to the totals of the estimates presented in the Fairchild analysis, there is still much of interest and value in these figures for the student of retailing. It will be noted that there are less than 200 stores rated at over $1,000,000. Out of the total of more than 4,000 stores tabulated, the 179 stores rated at over $1,000,000 are estimated to have nearly one-half of the total sales of all department stores in the country. From the figures presented in the table, it may be estimated that there are not more than 500 stores in the entire country, with annual sales volumes of more

than $1,000,000 per year. Allowing for the limitations of the Fairchild definition, it is possible that there may be as many as 750 single retail stores of all kinds that enjoy million-dollar sales.

Of the total volume of sales it is interesting to note, in Table 5, that the sales of women's outer apparel amounts to over $564,000,000, while the sale of silks, velvets, and dress goods amounts to slightly more than $400,000,000. These figures, while interesting, may not be taken as representative of the proportions of sales of ready-to-wear and of yard goods, for it must be recalled that, in making the analysis, the Fairchild survey included only such stores as handle both apparel and yard goods and omitted all retail stores handling ready-to-wear but no yard goods. However, the figures do indicate the strength of consumer demand for yard goods in the face of growing demands for ready-made apparel even as late as 1924.

Special note may also be taken that, according to Table 4, the population per department store varied with the sizes of the cities, namely: from 2,285 population per store in cities of from 10,000 to 25,000 population up to 54,013 per store in cities over 100,000 population. The tendency toward concentration in larger and larger stores in the larger cities is clearly evident in this tabulation.

Sales Volumes of Individual Department Stores.—Individual sales figures are not available for many of the largest department stores throughout the country. It is currently believed, however, that Marshall Field & Co. in Chicago, which is probably the largest department store in the world, has retail sales approximating $100,000,000 a year. R. H. Macy & Co., whose sales figures are published, had a volume in 1928, in its New York store, of over $90,000,000. This places R. H. Macy & Co. second in point of sales volume. The R. H. Macy record is, however, very remarkable because of the fact that

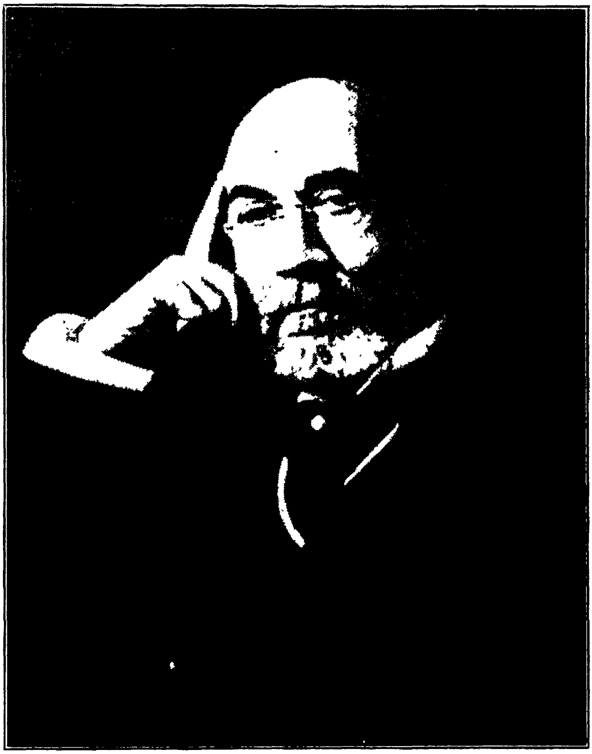

Figure 37. Isidor Straus (1845-1912)

The directing head, with the cooperation of his brother, Nathan Straus, during the critical and formative years of the great retail store, R. H. Macy & Co., New York, from 1888 to 1912. Since his untimely death in the sinking of the S. S. Titanic, R. H. Macy & Co. has forged ahead under the direction of his three sons, Jesse, Percy and Herbert Straus, now the principal owners and managers of the business. This concern was originally established in New York at 204 Sixth Avenue by R. H. Macy in 1858. In 1888 the ownership passed into the hands of Isidor and Nathan Straus who had conducted the china and glass departments under leases since 1874. The store was moved to 34th Street and Broadway, its present location, in the fall of 1902.

TABLE 5. DISTRIBUTION OF DEPARTMENT STORE SALES BY LINES

(Compiled by the Marketing Research Department of Fairchild Publications. From *Women's Wear*, September 5, 1925.)

*Women's coats, suits, skirts, dresses, and misses' ready-to-wear	$564,255,000
Silks and velvets	263,570,000
†Men's furnishings, clothing, hats, and caps	254,598,000
Shoes—women's, children's, men's, and boys'	194,072,000
Rugs, carpets, linoleums, mattings	167,519,000
Draperies—lamps	162,052,000
Dress goods (woolens, worsteds)	146,042,000
Hosiery—women's & misses'	142,918,000
Millinery	136,280,000
Linens (yard goods, towels, sets)	129,642,000
Toilet articles—drugs	116,756,000
Domestics (cottons)	107,774,000
House furnishings	107,774,000
Muslin underwear	98,793,000
Corsets and brassieres	76,926,000
Art needlework—art goods	70,287,000
Waists and blouses	70,287,000
Infants' wear	70,287,000
Laces—trimming—embroideries	66,383,000
Notions	65,992,000
Petticoats, negligees, aprons, house dresses	65,211,000
Silverware—jewelry	64,821,000
Boys' wear	64,430,000
Knit underwear (women's, misses')	58,963,000
Furs	56,620,000
Gloves	50,373,000
Toys, sporting goods, luggage	48,811,000
Juniors' and girls' ready-to-wear	44,515,000
Sweaters	41,782,000
Leather goods	41,391,000
Neckwear—veilings	41,391,000
Ribbons	37,096,000
Handkerchiefs	21,867,000
Umbrellas—parasols—canes	12,886,000
	$3,662,390,000

* Women's dresses	$220,059,737
Women's coats	141,063,934
Misses' ready-to-wear	95,923,475
Women's suits	67,710,688
Women's skirts	39,497,901
	$564,255,735

† Men's clothing	$122,207,249
Men's furnishings	119,661,265
Men's hats and caps	12,729,921
	$254,598,435

its sales are made on a strictly cash basis. The J. L. Hudson Co. of Detroit, one of the younger giants in the department store field, is believed to come third in point of sales volume with sales of more than $60,000,000 a year. Department stores with sales volumes estimated to range from $30,000,000 to $50,000,000 a year include:

Carson, Pirie, Scott & Co., Chicago
The John Wanamaker stores, in both Philadelphia and New York
B. Altman & Co.
The Gimbel stores, in both Philadelphia and New York
Jordan Marsh & Co., Boston, a unit of the chain, Hahn Department Stores
William Filene's Sons Co., Boston
L. Bamberger & Co., Newark, New Jersey, a unit owned by R. H. Macy & Co.
Lit Bros., Philadelphia, a unit owned by City Stores, Inc.
The May Co. stores, in both Cleveland and St. Louis
Mandel Bros., Chicago
Snellenburg & Co., Philadelphia

Department stores with sales volumes published or reported to range from $20,000,000 to $30,000,000 per year include:

Lord & Taylor, New York
Franklin Simon & Co., New York
Stern Bros., New York
Bloomingdale Bros., New York
Abraham & Straus, Brooklyn
Frederick Loeser & Co., Brooklyn
The Fair and the Boston store, Chicago
The Kaufman Department Stores, Pittsburgh
Meier & Frank, Portland, Oregon
Stix, Baer & Fuller, St. Louis
Crowley Milner & Co., Detroit
Strawbridge & Clothier, Philadelphia
Joseph Horne Co., Pittsburgh
Bullocks, Los Angeles

A much larger number of very efficiently operated department stores are to be found throughout the larger cities of the

country with annual sales below $20,000,000. Tables 6 and 7 present the trends in sales and net incomes of those department stores whose figures are publicly reported.

Department Store Sales Trends.—The Federal Reserve statistical department's index of department store sales is based on figures gathered monthly from a large and representative

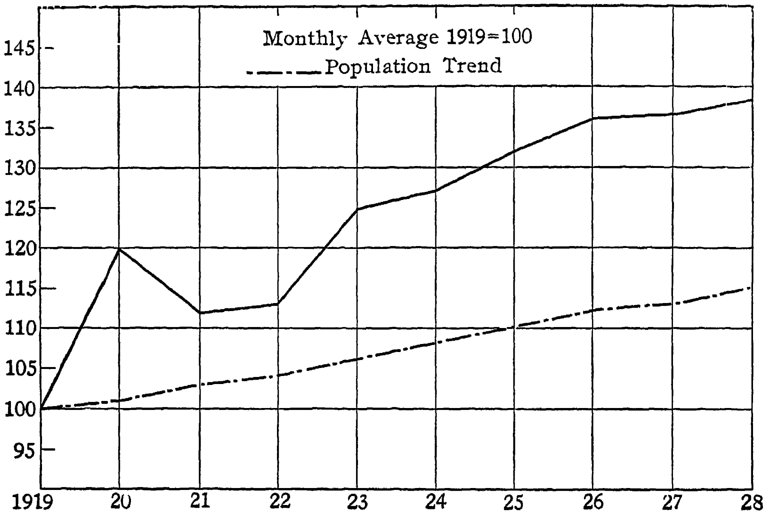

Figure 38. Department Store Sales Trends

From statistics compiled by the Federal Reserve Board. (*Survey of Current Business*, February, 1929.)

group of department stores scattered all over the country. These figures, as in the case of other statistics of distribution, go back to the beginning of 1919. Figure 38, above, shows the trend from 1919 to the end of 1928.

The department stores of the country are known to have enjoyed a continuously increasing volume during the years preceding 1914. Their sales volume increased very rapidly from 1914 to 1918, owing in part to the changes in money values but also because of increased volumes of merchandise sold. With the exception of the period of business depression

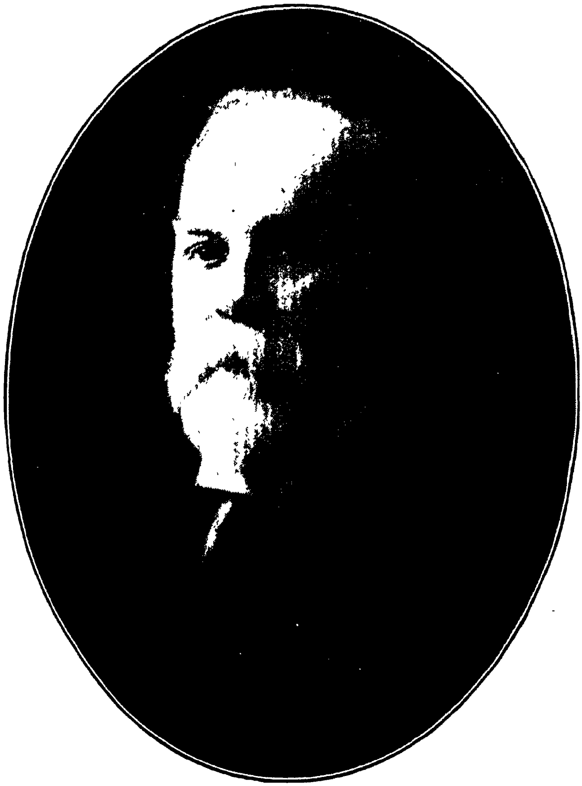

Figure 39. Timothy Eaton (1835-1907)

Founder of the T. Eaton Co. of Toronto, Canada, this organization now includes a number of department stores, a large chain of small stores and a remarkably successful mail order business throughout the Dominion of Canada. Now one of the largest retail mercantile institutions in existence.

Figure 40. A. L. Filene

Vice President and General Manager of Wm. Filene's Sons Company, Boston, also President since its organization in 1916 of the Retail Research Association, a group of closely cooperating independent department stores scattered over the country.

in 1921 and 1922, the upward trend continued to 1923. Since then, according to the Federal Reserve index, department store sales have continued to grow, but not at the same annual rates as in preceding years. Thus, while department store volume as of 1928 had increased by 38% over the sales of 1919, the rate of increase since 1923 has averaged only about 1.5% per year, which happened to be the estimated rate of growth of population in the United States for the same period.

Many individual department stores, of course, made a much better showing than this. Others, however, have barely held their own or have even lost ground. It looks very much as if the department store sales curve had nearly reached its peak or acme and that further increases might, if continued, be more nearly proportionate to population changes in the communities in which department stores are located, rather than to gains secured by competition with other types of stores. It seems possible to say that department stores, as a type of retail institution, have apparently reached a stage of maturity. Their place in the chain system of distribution has been defined. Relatively few new department stores are now being established and such as are coming into existence are largely in new towns or in suburban communities. It may be presumed that changes, already described, of independent general merchandise and other types of stores to department stores are still continuing.

Department Stores Abroad.—The department store development has progressed almost as extensively in other countries as in the United States. There are very few large cities in any part of the world not equipped with efficiently conducted, modern department stores.

The department store came into existence as a response to powerful economic needs. It has grown to a very important place in the distribution of goods. It is as much a part of modern civilization as the use of electricity, rapid transit, general

TABLE 6. NET SALES OF DEPARTMENT STORES WHOSE SALES ARE PUBLICLY REPORTED

	1923	1924	1925	1926	1927	1928
Abraham & Straus	$ 21,880,464	$ 24,193,970	$ 25,000,000	$ 26,000,000	$ 25,571,149	$ 25,421,916
Arnold Constable Corporation	4,487,124	4,810,258	8,376,371	11,520,012	13,520,639	13,232,211
L. Bamberger & Company	26,163,937	28,003,302	29,952,279	32,508,089	33,595,334	35,001,214
Best & Co.	9,487,843	9,828,415	10,675,598	11,582,892	12,519,017	13,345,643
Bloomingdale Bros.	18,326,458	19,405,073	21,545,304	24,315,457	23,907,554	23,886,965
Crowley Milner & Co.	23,000,000	25,000,000	27,000,000	28,000,000	28,233,571	32,072,541
Emporium Capwell Corp. (3 Stores in 1928)	17,067,392	16,843,979	17,533,373	20,117,842	24,146,093	27,653,712
The Fair	25,766,718	24,406,664	26,957,739	27,443,024	26,760,029	28,013,875
Gilchrist Company	11,056,087	11,566,456	12,016,237	12,315,697	11,611,915	10,450,700
Gimbel Bros., Inc. (7 Stores in 1928)	101,544,467	102,110,802	109,101,565	122,679,523	123,595,549	121,109,363
Hale Bros. Stores (6 Stores in 1928)	15,023,457	15,735,076	17,214,125	19,613,572	19,870,528	19,416,208
Kaufman's	27,000,000*	27,400,477	28,251,505	28,992,323	29,001,335	27,066,237
R. H. Macy Co., Inc.	51,232,360	56,362,765	66,505,459	75,470,315	82,214,640	90,251,396
Mandel Brothers, Inc.	29,505,625	29,114,469	28,040,932	28,087,114	27,000,000*	25,456,141
May Department Stores (7 Stores in 1928)	90,997,655	89,932,915	97,117,891	100,522,928	102,756,197	106,671,527
Namm's	17,210,484	17,466,255	17,477,309	17,000,000	16,698,414	17,000,000*
National Dept. Stores, Inc. (14 Stores in 1928)	72,331,455	74,368,555	79,455,118	82,062,059	74,959,296	71,404,075
The Outlet Company	10,366,204	10,194,836	10,336,990	10,474,921	10,598,614	11,264,276
Total	$572,447,730	$586,744,267	$632,557,795	$677,352,940	$684,391,119	$698,718,000

* Estimated

TABLE 7. NET INCOME OF DEPARTMENT STORES

	1923	1924	1925	1926	1927	1928
Abraham & Straus	$ 959,748	$ 1,130,522	$ 1,238,303	$ 1,446,332	$ 1,530,969	$ 1,557,424
Arnold Constable Corporation	D592,696	D278,747	D140,372	356,408	708,862	650,013
L. Bamberger & Company	2,079,100	2,287,259	2,394,457	2,784,837	2,674,929	2,234,691
Best & Co.	789,850	805,047	983,537	1,091,707	978,818	1,003,924
Bloomingdale Bros.	1,252,642	1,129,071	1,409,244	1,255,227	793,650	1,384,986
Crowley Milner & Co.	1,690,000	1,900,000	1,400,000	1,400,000	1,561,735	1,738,834
Emporium Capwell Corp. (3 Stores in 1928)	1,011,362	1,131,879	1,024,384	1,324,508	1,026,619	1,078,524
The Fair	1,320,331	1,111,602	1,403,540	1,699,009	1,517,344	1,669,224
Gilchrist Company	568,927	499,996	542,109	635,653	501,585	151,363
Gimbel Brothers, Inc. (7 Stores in 1928)	7,378,616	5,482,363	4,155,950	3,357,570	1,498,535	—909,795
Hale Bros. Stores (6 Stores in 1928)	625,129	517,426	715,250	756,959	489,494	496,382
Kaufman's	2,255,235	1,609,511	1,583,208	1,695,688	1,618,081	1,912,999
R. H. Macy & Company	3,337,887	3,005,698	4,163,315	5,143,937	5,831,917	7,566,194
Mandel Brothers, Inc.	2,006,524	1,986,928	2,002,776	1,587,846	825,878	663,313
May Department Stores (7 Stores in 1928)	6,680,543	5,909,608	6,800,312	6,952,101	6,498,927	5,758,062
Namm's	812,441	1,234,210	524,367	569,703	233,772	691,432
National Dept. Stores, Inc. (14 Stores in 1928)	4,309,780	3,032,317	2,317,552	1,950,672	1,578,581	2,180,028
The Outlet Company	1,046,916	886,894	1,012,970	899,505	1,000,505	979,671
Total	$37,532,335	$33,381,584	$33,530,902	$34,887,020	$30,851,980	$30,807,269
Per Cent of Net Income to Sales	6.5%	5.7%	5.3%	5.1%	4 5%	4.4%

education, and advertising, all of which, indeed, are in themselves necessary essentials to department store development.

Characteristics of Modern Department Stores: 1. Central Location.—The department store usually has the advantage of central location. The department store must be located where crowds can reach it, and it in turn helps to attract crowds. Wherever there is a successful department store there is a trading center.

Figure 41. Edgar Kaufman

President of Kaufman Department Stores, Pittsburgh, an institution with a marked reputation for aggressive merchandising methods and advanced operating policies.

2. Appeal to Masses.—The architecture, especially in its modern types, is in every way helpful to the purpose of selling goods. Moreover, it has a prestige in the public mind, carefully cultivated and, in most cases, well-earned, that goes far toward making it a successful popular retail institution.

Big business appeals to the imagination of the people of the twentieth century, especially to the people of the middle and lower financial classes. The big store building suggests class and distinction. To trade there confers distinction upon the

customer. The big store's automobile delivery truck calling at one's residence heightens this effect.

On the other hand, in the great cities, a large part of the trade of the ultra-rich and fashionable goes not to the department stores but to the exclusive specialty shops. The department store is admirably fitted to transact business with the masses. It is essentially the large city store for the masses.

3. **Many Stores Under One Roof.**—Many lines of goods are offered to customers under one roof. Some of the larger establishments have 100 or more departments. A few of the largest have more than 250 different departments. This grouping of all or many classes of consumer goods in one building is a great convenience to the shopper and customer.

4. **Service.**—Special conveniences are usually offered to shoppers whether they buy or not. Under the guise of "service," the modern department store has become a club-house and amusement place for women. One ordinarily finds rest rooms, silence rooms for nerve-tired shoppers, reading and writing rooms, restaurants, information bureaus, post offices, telephone booths, and telegraph stations for the unrestricted use of all. In some stores lectures, demonstrations, style shows, educational courses, musical programs, moving picture shows, and even operas and plays are given. In a few cases, the department store serves as an employment agency for domestic help, as a house and estate agency, and even as a market for corporation securities. Some department stores conduct banking departments, accepting the deposits of their customers and employees and paying interest on these deposits. Hairdressing and manicure parlors, and children's barber shops are regular adjuncts. Play rooms for children, lost and found departments, and free check room facilities are also common. Some of these services have no direct connection with the sale of goods in the store. Most of such services are free. Others such as restaurants, hairdressing, and beauty parlors are made profitable to the store if

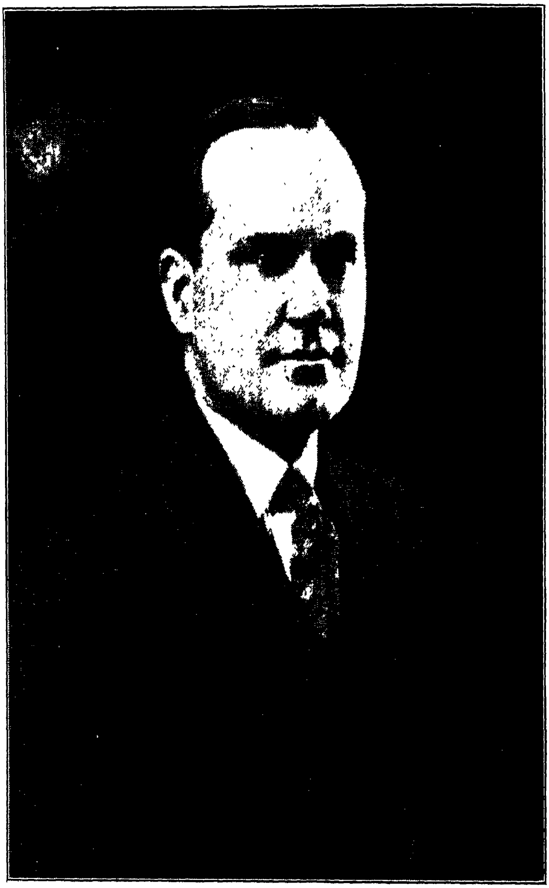

Figure 42. Oscar Webber

Vice President and General Manager of the J. L. Hudson Co., Detroit, an organization whose growth in recent years is unparalleled among department stores. In sales it ranks easily as third in this country and probably in the world.

possible. It is probable that but very few of the many department stores conducting restaurants make any net profit directly from them, but they are conducted as means of attracting shoppers to the stores. All of these services are intended to attract people to the store, and to get them into the habit of coming, so that their wants may be satisfied by merchandise offered for sale there.

Several special forms of service in direct connection with the sale of goods are also common. Free delivery, sales on credit, C. O. D. sales, convenient payment plans, goods sent to the homes of customers on approval, guarantees of "money back if not satisfied," and "goods exchanged," are so common now as to merit no more than the remark. While many of these services are extended to their customers by specialty or one-line stores, none have gone farther than the big department stores, and none could profitably do so.

5. **Specialized Organization.**—One of the main factors in department store efficiency is its specialized form of organization. In this respect the modern department store differs from the old-time general merchandise store as day differs from night. In the latter the salespeople, or clerks, as they were called, sold goods in all or nearly all departments. In the department store there is detailed division of labor. Salespeople, for example, do not go beyond their particular departments. This division of labor makes it possible to employ the best people obtainable as heads of departments, who plan and direct the store work, and much cheap help to carry on the routine, detailed work of the store. In the best department stores great care is exercised in the selection of employees, in training them specifically for their work, and in placing them where they will be most efficient. The department store is able to get along with the services of cheaper help in its sales and other departments than most one-line stores, just because of the fine division of labor, and because the work of each employee is carefully

planned and standardized. Heads of departments draw salaries and incomes that average considerably higher than the average incomes of most individual store owners and managers. Buyers receive from $2,500 up to $25,000 per year, averaging perhaps $5,000 per year. For the higher positions, such as merchandise managers and store superintendents, even higher salaries are paid. Department store salaries as high as $50,000 and even $100,000 per year are not unknown. The average salaries for the rank and file are, however, rather low.

Changes may be coming in this respect, however, for as competition grows keener, the demand for more personal salesmanship and more skilful personal management of every detail increases. No plan, no matter how well worked out, can substitute automatic service for human service in dealing with customers. Careful planning is very important, and in the past twenty-five years, the methods of performing store work have progressed rapidly, but when the limits of mechanical devices and of systems have been reached, as they will, no doubt, be, then concentrated attention will follow in bringing up the standards of performance of employees.

Each Department a Separate Store. In a department store, each department or section is usually handled as if it were a separate specialty store or shop. Accounts are kept separately for it, and under normal conditions it must pay its own direct expenses, and its prorated share of the general expenditure for rent, light, heat, power, insurance, office up-keep, and so on, out of its own receipts. In addition to this it must seek to make a net profit.

Each department has an organization of its own for buying and selling goods. This organization consists of its manager or buyer, and necessary assistants such as an assistant buyer, a head of stock, and salespeople. In these respects the department is much like a specialty store. The accounting, advertising, stockroom work, credits and collections, handling of the cash

paid out and received, and the delivery of the goods, however, are carried on for the individual department by central departments organized to serve the entire store. The specialty store, selling one line, has its own accounting, advertising, credit, cash, and delivery departments, but a department store of forty departments, for example, would have but one of each of these departments to serve all of the forty sections. Thus the department store preserves the strong points of the independent specialty shop on the one hand and secures the advantages of cooperation on the other, with a minimum of friction and waste.

6. Large Use of Advertising.—Department stores, to exist, must draw trade from large areas, and therefore must advertise. Specialists are employed in this work. It is the task of the advertising department to bring people to the store and to make it easy to sell them goods. Department stores tend to place much more dependence upon advertising as a means of effecting sales than do most other retail stores excepting mail order houses. Department stores are the greatest users of newspaper advertising space. The amount expended annually by department stores runs into the hundreds of millions of dollars per year.

Another feature about department store advertising, in addition to its magnitude, is its specific, concrete presentation of information about goods. The department stores have had to make their advertising productive, and their advertising, like that of the mail order houses, has been of the kind to produce sales. There has been much improvement in advertising technique during the past generation and perhaps nowhere has this been more evident than in department store advertising.

Struggles to Raise Standards of Advertising. In the earlier stages of the use of retail advertising, both exaggeration and dishonesty were frequent. By degrees it became clear to established advertisers that permitting continued dishonesty in advertising would result in the loss of public faith in advertis-

ing and in business suicide for concerns depending upon advertising. The importance of advertising to the success of the department store was so great that it is not surprising that the department stores should have led in the movement to raise the standards of advertising. Even before the movement inaugurated by national advertisers to secure truth in advertising, and long before there was any legal effort to suppress dishonest statements in advertising, department stores not only cleared out the exaggerations from their own columns but began to preach the value of truthful advertising to others.

Probably department stores as a group have been guilty of as much dishonest advertising in the past as any other institution. In view of the fact that department stores have been greater users of advertising than others, it is probable that their responsibility is also greater. Reforms in advertising came about in a very gradual way, although some of the earliest efforts to curb dishonest statements began in the middle of the nineteenth century. It was many years before the rank and file, even of department stores, accepted and began to practice advertising principles prohibiting overstatements and misstatements promulgated years before by the leaders. In fact, though much progress has been made toward cleaner advertising, actual practice still lags far behind the present accepted ethical standards of publicity.

7. **Economics of the Department Store.**—The modern department store is a wonderful business mechanism. At its best it represents very high efficiency in trade-getting, merchandise distributing, and profit making. Its advantages in competition over the specialty, or one-line stores, lie in its conveniences for shoppers, the many lines under one roof, the special services that are so attractive to many people, and the displays of goods in the many different lines carried. Such displays suggest additional purchases to customers, and result in sales that one-line shops could not secure at all. The depart-

ment store method of distribution actually stimulates new demand, by showing to customers things about which they might not otherwise know anything, and thereby has helped to expand the markets for thousands of new kinds of goods that might never otherwise have found an outlet to the public.

There are a number of economies in department store management not possible in the specialty store. Having one accounting department, one advertising department, one delivery department, and one credit department for the many departments of the store is certainly preferable to such services conducted separately for each department. Such duplication of services exists in connection with a system of distribution through small, one-line shops, and must result in added burdens of expense. How much these savings amount to cannot, however, easily be stated. Attempts at comparison are complicated by the fact that these service departments usually do much more for the departments in a department store than similar service departments do for small, one-line stores. An efficient credit department in a department store, serving 40 or 50 merchandising departments, is able to extend credit more widely because it is in a position to employ more effective collection methods, and is better able to enforce payment of slow or doubtful accounts than the credit department of a small store. A specialty store must refuse credit oftener or run the risk of a much larger loss from bad debts, simply because it cannot give the special attention to credits that the department store credit department is expected to and does give. Similarly, the department store delivery service is rendered over a much wider area, and the accounting service performs many functions in a department store left untouched in a specialty store.

In a real sense the credit, delivery, advertising, and other centralized departments of a department store are illustrations of the practice of cooperation. The advantages urged in favor of cooperative delivery for retail stores, for example, are practically realized as a matter of course in the department stores.

Figure 43. John G. Bullock

President of Bullock's, Los Angeles. One of the more recently established retail concerns, but one of the most successful organizations on the Pacific Coast, and fully representative of the best modern, aggressive retail policies and methods.

8. High Operating Expenses.—The advantages of the department store are to some extent counterbalanced by the disadvantages inherent in aggregations such as a department store represents. A large organization incurs new difficulties not found in small stores. The average costs of doing business in department stores are considerably higher than the averages for most small, one-line establishments.

On comparing the items of expense in department stores with those of specialty stores one finds, with some exceptions. that rent is higher, advertising is higher, delivery is higher, salaries run about the same or higher, and bad debt losses about the same or somewhat less.

Rents are higher, as we shall see in a later chapter, because of the central locations of the department stores.

Advertising is higher because the department store must reach out farther for business. It has many more competitors of many more kinds than the average one-line store. It uses its advertising to secure customers. In a measure it substitutes skilled advertising for skilled salesmanship. An advertising expense of from 3% to 6% of sales is not uncommon in department stores, but this is considerably above the average for specialty stores handling the same kinds of goods. Delivery, though done for a number of departments, hence more economically than if done for a single shop, tends to be higher because the department store delivers over a much wider territory than the average one-line store, and in most cases also delivers a much larger percentage of the goods purchased.

The expense of a department store is also increased by its provisions for the convenience and pleasure of shoppers and prospective customers. Competition forces department stores into these things. There is no escape. The tendency seems to be to add more and more of it. Trade must be gained, but the only way to gain it is by getting the people to come to the store. The service factors bring people to the store and must therefore be provided.

The expenditure for salaries in department stores runs about the same as in specialty shops, despite the fact that department stores employ large numbers of persons at the low wage levels. This can probably be explained by the high salaries paid to the executives and managers. The totals as well as the averages are raised by these. It is also probable that the departmentization of employees and the difficulty of organizing the work so as to keep them all fully employed all of the time results in more or less waste of time, all of which the store must pay for. Small stores have such losses too, but there is usually greater flexibility in management of employees, so that employees not employed in selling are usually set to work at something else. This item of loss is not by any means uniform. Efficient stores, both large and small, attempt to reduce it to a minimum.

9. **Wasteful Leaks.**—The department store, even when most carefully planned and operated, is a place where there may be a thousand leaks. Hired employees are proverbially less diligent and watchful than people in business for themselves. Carelessness, loss of materials, soiling materials, spoilage, leakage, breakage, and so on, are likely to occur more freely in the big store than in the small store. Only eternal vigilance can keep such losses down, and there seems to be more danger of slackening in vigilance under hired eyes than under proprietor's eyes.

The department store must spend much money and time in developing its system, in keeping its records and accounts, while in the small store, the manager-owner can carry much of such information in his head, and need spend no time in working it out on paper. This economy in the small store has decided disadvantages. It is probably carried too far by most small retailers. Undoubtedly, much could be gained by the small store manager by borrowing something from the department store manager's thoroughgoing manner of getting at the exact

facts of the business. Probably most small retailers should spend more for records than they do, but whether this is true or not, the fact remains that the department store spends much money in getting up information that the small, one-line retailer is getting along without.

10. Low Personnel Efficiency.—Finally, the department store type of employee as represented by the salesperson and other rank and file workers, is usually weak. There are exceptions and notable ones, but the general rule in department stores is poor salesmanship. Poor selling ability is common enough in small stores also, but, generally, the specialty store selling high-grade, higher-priced goods, has better selling ability. As it is, much of the efficiency of the department store gained by its location, its window displays, its advertising, its thorough and systematic sales plans, is lost simply because the salespeople and other employees coming in contact with the customers fail in their important work. Not only are opportunities for making sales lost, but when sales are made, they are often wrongly made. The result is disutility and dissatisfaction. The retail store, whose great social function it is to serve the public, or that much of the public that comes to it, fails to perform its service in a creditable way because the employee whose duty it is to represent the store in dealing with the customer does not know how to do his work properly. The fault of poor selling is not the employees' but rather it is that of the system of big stores that offer little encouragement and less real help to develop selling ability.

Recent Developments: 1. Lower and Higher-Priced Departments.—Among recent developments in department store administration is the rapid spread of the establishment of lower and higher-priced merchandise departments. Many department stores which had grown rapidly down to about 1920, found that large parts of their business had been developed on medium priced lines of goods. The stores had

grown by catering to customers of fairly high standards of living. Desirable as this trade might be, it was felt by many department stores that further progress in volume could only be secured by attracting new groups of people to the store, particularly those with somewhat lower standards of living, and, therefore, prospective customers for lower-priced lines. It has always been found difficult to handle trade of different economic classes of people in the same departments. Usually, stores attempting to draw trade from several classes of distinctly different economic levels to their regular departments, have found that their trade naturally gravitated either in the direction of customers with higher purchasing means or, more often, to customers with lower purchasing power. The establishment of lower-priced departments, separated from the regular departments of the store, is a method intended to overcome these difficulties. Through this method the regular trade upon which the store has built its regular department business is not disturbed, but new fields of consumers are opened up in these departments.

Sometimes such additional departments are established close to the regular departments, perhaps on the same floor. In others they are separated entirely. Physical separation is secured by putting them on another floor, and separate management is secured by having entirely different buyers, salespeople, and other assistants.

Most of the lower-priced merchandise departments have been established in store basements or annexes. Many of them located in basements are called "bargain basements," "economy basements," or "basement stores." In some of the best known stores in the country such as Marshall Field & Company, J. L. Hudson Company, William Filene's Sons Company, John Wanamaker, and many others, the bargain basement or basement store practically duplicates many of the varieties of goods handled in upstairs departments but at lower-priced levels.

Basement stores and bargain basements have in many in-

Figure 44. Elmer F. Wieboldt

General Manager and Vice President of Wieboldt Stores, Inc., Chicago, a highly successful chain of department stores operating outside of the "Loop" or downtown shopping center in Chicago and its suburbs. Elmer F. Wieboldt is representative of the younger type of present-day retail executives, well-educated, trained in modern methods, and accustomed to meeting the problems of the store with scientific procedure.

stances been found very profitable ventures. The reputation gained by the store for its regular merchandise lines serves to attract immediate trade to its new lower-priced departments. It does not appear that the gains in business in these new departments have in any way been made at the expense of the regular departments, thus indicating that the opening of the new departments definitely tapped channels to new groups of customers. While price lines handled in these new departments are lower, operating expenses are likewise usually somewhat lower, movement of merchandise is more rapid, and these so-called "bargain departments" are often the most profitable from the standpoint of the store.

Some basement stores deal, or attempt to deal, exclusively in odd lots or job lots, remnants, odds and ends of merchandise offered at bargain prices. Merchandise found unsalable in the regular departments is sometimes sent to the bargain basement. Most of such merchandise, however, is purchased at bargain prices in the markets. Other stores conduct lower-priced departments on regular lines of merchandise in full regular assortments comparable in every way to the merchandising of higher-priced departments. Filene's bargain basement is a good illustration of the first type. Marshall Field's basement store is an illustration of the second.

Bargain basements of the type conducted by Filene's in Boston in some cases utilize the Filene policy of securing rapid turnover by making automatic price reductions on all goods that do not sell within a stated number of days. If goods so marked down do not then sell within another, but shorter period, they are again marked down, and this process continues until purchasers are found. If not disposed of within a final time limit, they are given away to charities.

2. Suburban Stores and Suburban Branch Stores.—Another recent development among some of the larger metropolitan department stores is the tendency to establish suburban

branches. The growing traffic difficulties in downtown streets and the competition from outlying small stores and department stores have made department store managers think intensely of the possibility that department store growth in congested areas is faced by very definite limits. The success of systems of suburban stores such as Ed Schuster's three stores in Milwaukee and Wieboldt's four stores in Chicago, to mention two outstanding cases, is proof of the fact that suburban trading centers are making progressive gains in holding department store trade. Several of the largest department stores of the country have recently established suburban stores either by purchase of stores already in existence or by building new stores. The movement to establish suburban branches seems likely to spread.

3. **Waves of Interest in Operating Problems.**—A backward look at the history of department stores shows that there has been a series of waves of interest in and development of various phases of department store administration. For example, in the period beginning at about the opening of the present century and for years thereafter, there was a very keen interest among the leading department store managers in accounting and in using accounting as a means of administration and control as well as a measure of financial progress.

Although there had been earlier beginnings, a wave of interest starting about 1910 swept the department store field on the possibilities of education of employees. In the period from 1910 to 1916, educational departments for the training of retail salespeople and other employees were established in most of the American department stores.

During the time of this country's participation in the World War and for some years following, deep interest of department store managers centered in methods of meeting problems of personnel, such as scientific employee selection, methods of remuneration, methods of measuring work done, and so on.

Since 1921, department stores generally have become very much interested in the possibilities of merchandise unit stock control, of more intensive and systematic methods of sales promotion, and, particularly, in the possibilities of cooperating with other stores in the purchase of goods and other activities.

4. **Department Store Mergers.**—One of the most recent developments is the combination or merger movement. Specific instances of this development will be mentioned and described in the chapter on chain stores. In conclusion it may be stated that there are, at the present writing, very few department stores that are not now members of combinations or that are not members of cooperative groups of one kind or another. Probably not a single successful department store remains that has not been urged and has not considered the possibility of selling out to a combination, or of joining a voluntary chain group.

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CHAPTER VII

THE MAIL ORDER HOUSE

The development of the mail order business on a large scale was one of the most remarkable commercial events of the latter half of the nineteenth century. While goods have been bought and sold by mail as long as postal systems have existed, and by messengers before post offices existed, retail establishments depending for business entirely upon mail orders or departments of retail stores set up to handle nothing but business by mail, are very modern institutions.

Beginnings of the Mail Order Business.—It was customary during American colonial days for the wealthier consumers to send orders for many classes of goods such as garments, fabrics, laces and embroideries, china and glass, and home furnishings to the older countries in Europe. This business continued on a relatively large scale up to the time of the Revolutionary War. At the close of the war these relationships were renewed to some extent but not immediately. The several years of fighting with England broke off the consumer trade formerly carried on with that country. To a considerable extent, French goods replaced English goods. However, the impoverished condition of the country for several years following the war prevented the renewal of consumer purchases on the scale that had prevailed before 1775.

In the early years of the nineteenth century, American retail trade developed and improved rapidly. Retail stores dealt largely in imported goods and, as they became available, in goods of domestic manufacture. Following the War of 1812-1814, consumer trade with the mother countries declined. Importation

grew but passed mainly through the hands of importers and dealers.

Westward-moving settlers in the early part of the nineteenth century frequently ordered goods by mail for transport over the early wagon routes and later by canal and railroad from the retail stores of the large eastern centers. It seems possible that nearly all of the well-established dry goods, cutlery, china, and glass stores in New York, Philadelphia, and Boston enjoyed a certain amount of mail order business from distant customers throughout the entire nineteenth century. One may find occasional mention of such trade in the correspondence of western families of the time.

Retail stores probably handled this early mail order trade entirely as a side line and as a convenience to former customers and others who had moved to distant parts of the country. It is probable that price lists were issued from time to time for the benefit of these customers, but it is not known that any systematic promotion comparable to that found in recent years was carried on to secure mail order business.

The earliest intensive wide-scale efforts to secure business exclusively by mail seems to have been made by E. C. Allen of Augusta, Maine, who started national advertising on specialties such as recipes for washing powder, engravings, chromos, and novelties, as early as 1870. Allen's success led to rapid imitation close at hand. Augusta, Maine, became and for many years continued to be the most important mail order center in the United States. Several so-called "mail order periodicals" were established, such as the household magazine, *Comfort,* and a list of periodicals published by Vickery and Hill, carrying mail order advertising, and sent to patrons of mail order concerns all over the country. During the 1870's a rapid growth of mail order selling paralleled a similar growth of canvassing and peddling activity that grew up during the same time.

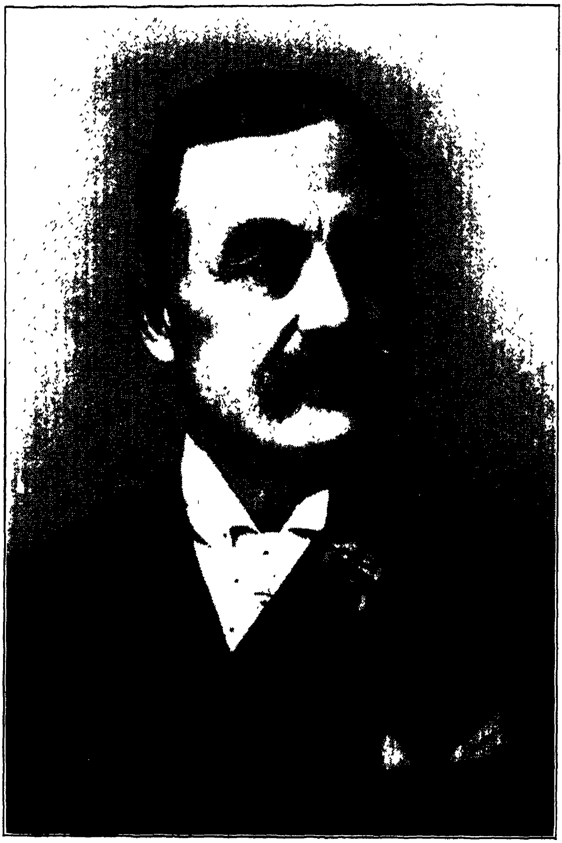

Figure 45. Aaron Montgomery Ward (1843-1913)

Founder of Montgomery Ward & Co., Chicago, the oldest of the general mail order houses now in existence. Frequently called the "Father of the General Mail Order Business."

Montgomery Ward & Company.—The first of the great mail order concerns, now in existence, was established in Chicago by A. Montgomery Ward in 1872. The story of the rise of this business is a romantic chapter in the development of American commerce.

Aaron Montgomery Ward was born in Chatham, New Jersey, February 17, 1843. When he was eight years of age his father suffered business reverses and the family moved to Niles, Michigan. Here Montgomery Ward went to school until he was eleven years old. He thereafter went to work at various jobs up to the age of fourteen, when he was apprenticed to learn a trade but gave this up when his family moved to St. Joseph, Michigan, where he went to work in a general merchandise store for $5 a month and his board. This store's trade came largely from farmers and it is probable that his first impressions of the possibilities of retail service to country people were formed in this position.

Three years after he had entered the general merchandise store in St. Joseph he had progressed so rapidly that he was put in entire charge of the store and received a salary of $100 a month and board.

In 1865, he went to Chicago and found work in the wholesale dry goods house of Field, Palmer and Leiter, the forerunner of Marshall Field & Company. Two years later he was employed by Willis, Gregg & Brown, also in the wholesale dry goods business in Chicago. Shortly afterwards he became a traveling salesman for the wholesale dry goods concern, Walter M. Smith & Company of St. Louis. A little later he returned to Chicago and worked for C. W. Pardridge & Company, later Hillman's, and was in their employ at the time of the great Chicago fire of 1871. The fire not only destroyed his place of employment but must have upset any plans he may have had for advancement. Following the fire there was a rush of many new hands into the business and in the latter part of 1871 Montgomery Ward started to plan a mail order business for

which his experience and contacts with both retail and wholesale stores, together with his work as a traveling salesman, gave him splendid equipment.

Soon after he reached Chicago, the "Granger" movement began to spread rapidly throughout the Middle West. The chief purpose of the Order of the Patrons of Husbandry, which had but recently come into existence, was to improve economic conditions of the agricultural classes. Among the methods urged were consumers' cooperative stores and the distribution of goods directly from producers to consumers. The attention called to the farmer's problems by the spread of this new movement, linked with his experience with farm trade while in St. Joseph, probably aided Montgomery Ward in perfecting his plans for mail order retailing.

The first storeroom occupied by Ward in 1872 was a hay loft over a stable on East Kinzie Street. His entire capital was about $2,000, partly borrowed. A one-page handbill naming various items of goods and their prices was sent out by mail. In the years from 1872 to 1874, Ward issued ten of such one-page handbills. The first catalog, a small pamphlet of only eight pages, size 3″ x 5″, was issued in 1874. By 1876, the catalog was increased in size to 150 pages, and pictures of the merchandise were included for the first time. The sales for that year amounted to $300,000. By 1880, the sales had increased to $410,000. Ten years later, in 1890, the sales amounted to $2,411,000 and in 1900 to $8,886,000. By 1906, its sales volume had reached $18,000,000 and and by 1913 it had risen to $40,000,000.

The original purpose in Ward's mind in 1872 appears to have been to serve as a supply house for farmers and granges or the local branches of the Patrons of Husbandry. The earliest circulars were addressed to "Granges, farmers and mechanics." The lines of merchandise offered included dry goods, clothing, hats, caps, boots, and shoes. Goods listed were not always carried in stock and certainly not in sufficient stock to take care

of the demand. When orders from customers came in during the early years, Ward often filled these by going around and making purchases direct from his wholesale acquaintances or even from retail stores. Year by year additional lines were added.

Soon after starting his business, Montgomery Ward brought his brother-in-law, George R. Thorne, into the business. These two men and their families continued to conduct the business as a partnership down to 1888, when it was first incorporated and then as a corporation down to 1913. Reorganization took place in 1913 and again in 1921. A. Montgomery Ward died on December 7, 1913.

The sales of Montgomery Ward & Company reached a peak of $101,745,000 in 1920, just before the business depression of 1920-1921, which caused the company enormous losses. Changes in management and important readjustments were then made. T. F. Merseles, who had been an executive in the National Cloak & Suit Company of New York, since 1903, was

TABLE 8. YEARLY SALES OF LEADING MAIL ORDER CONCERNS, 1912–1928

Year	Sears, Roebuck & Company	Montgomery Ward & Company	National Bellas Hess Company
1912	$ 77,116,859	$ 35,000,000	$10,911,866
1913	91,357,276	39,725,713	13,276,259
1914	96,024,754	41,042,486	15,164,727
1915	106,228,421	49,308,587	17,371,650
1916	137,200,802	62,044,336	21,554,230
1917	165,807,600	73,512,645	27,649,537
1918	181,655,829	76,166,848	33,485,015
1919	233,982,584	99,336,053	39,449,985
1920	233,856,872	101,745,270	47,704,428
1921	159,034,518	68,523,244	37,481,210
1922	160,648,152	84,738,826	45,357,566
1923	191,324,146	123,702,043	52,399,783
1924	199,545,862	150,045,065	49,225,804
1925	234,421,930	170,592,642	46,685,376
1926	248,550,341	183,800,865	42,872,399
1927	268,731,794	186,683,340	44,065,419
1928	319,773,787	214,350,446	44,649,102

brought into the company and made president. The sales in 1921 dropped to $68,500,000. Since 1921, however, Montgomery Ward & Company has not only recovered its former sales levels but has continued to forge ahead. Its sales growth, year by year, is shown in Table 8.

One of the marked recent changes introduced into the business of Montgomery Ward & Company since 1921 has been the establishment of a chain store system, beginning first of all with retail stores at the mail order distributing points in Chicago and the branch houses, and extending more recently to the establishment of an extensive system of retail stores throughout the country. Published statements for the company indicate the intention to have a chain of more than 1,500 retail stores.

Sears, Roebuck & Company.—This concern has likewise had a most remarkable development. In point of sales it is not only the greatest mail order house but, at the same time, one of the greatest retail mercantile institutions in the world. Richard W. Sears, its founder, was born December 7, 1863, at Stewartsville, Minnesota. He attended grammar school at Spring Valley and high school at Mankato down to 1880. At the age of seventeen it became necessary for him to assume the support of his family. He took a position as railroad station agent at North Redwood, Minnesota, where his duties included handling shipments and selling tickets in connection with the two-trains-a-day service that passed through that station.

In 1884, he received a package from a mail order watch concern to be delivered C. O. D. to a customer in this little Minnesota town. The customer could not be found and Mr. Sears notified the company. Their reply was to urge him to sell the watch to some one else at a profit of $2, and he did so. This venture led him to order more watches and to sell them at a similar profit. The prospects of this business proved so attractive that in 1886 he left the employ of the railway company and started a mail order watch and jewelry concern in Minne-

Figure 46. Richard W. Sears (1863-1914)
Founder of Sears, Roebuck & Co., general mail order house, Chicago.

apolis. Early in 1887, he employed A. C. Roebuck as watch adjuster and in 1889 he made Roebuck his partner. Somewhat later this concern was moved to Chicago, and in 1890, when Mr. Sears was twenty-seven years of age, he sold this concern for $100,000. As a condition of the sale he agreed not to establish another mail order concern in the city of Chicago under his own name for five years.

Sears next returned to Minneapolis, and in 1893 formed another company which was called A. C. Roebuck & Company. Later this was changed to Sears, Roebuck & Company. Its first catalog was issued in 1893. This concern proved even more successful than the first. Its business in watches and jewelry grew rapidly from 1890 down to 1895. In 1894, a number of other lines were added, including bicycles, clothing, sporting goods, and harness. A large catalog was put out and marked with a retail price of $1 a copy. House-to-house canvassers were employed who traveled about the country in horse and buggy outfits and sold many thousands of these catalogs at $1 each.

In 1894, A. C. Roebuck retired from the business and in 1895 Sears again moved to Chicago. In that year a corporation was formed under the laws of the State of Illinois. Roebuck's interests were purchased by Julius Rosenwald who, when the concern was moved to Chicago, became associated with Sears as vice president. This organization continued until 1906. At that time a reorganization was carried through. Julius Rosenwald, then vice president and treasurer of the firm, with the help of a number of his friends, bought out Mr. Sears' interest and Mr. Sears retired from the business, although his name was retained on the board of directors to retain the confidence and goodwill of the public in the new management. The firm was reincorporated under the laws of the State of New York.

Since 1906, and with the exception of the period of business depression in 1920-1921, Sears, Roebuck & Company has enjoyed a remarkably successful growth. During the first year

Figure 47. Julius Rosenwald

Chairman of the Board of Directors and formerly, for many years, President and active directing head of Sears, Roebuck & Co., Chicago, largest mail order house in the world.

of the reorganization ending in 1907, its sales amounted to somewhat more than $50,000,000. By 1919, the sales had risen to nearly $234,000,000 but fell in 1921 to $159,000,000. Since 1921 the concern has again enjoyed uninterrupted enormous growth. Its plans for the future are as aggressive as those of Montgomery Ward & Company. Unless prevented by unforeseen conditions both are likely to become billion-dollar businesses.

Beginning in 1909, Sears, Roebuck & Company started its system of branch mail order houses, the first of which was established in Seattle, Washington. By 1910, other branches followed covering the country in such a way as to permit delivery on all orders received from customers within one or two days after receipt of the order.

Beginning in 1925, Sears, Roebuck & Company launched its plan for the establishment of an extensive chain of retail stores. As in the case of Montgomery Ward & Co., the first stores were established in the mail order distributing houses and branches. These, however, were followed by retail stores at other points. The Sears, Roebuck & Company system of stores, as originally planned, consisted of stores of three classes known, respectively, as Class "A" stores, really department stores located in the largest cities; Class "B" stores, smaller, but offering a fairly general line of goods and located in smaller cities; and Class "C" stores, specializing in the retailing of such commodities as automobile tires, radio sets, and so on. These retail stores, it was announced, were to supplement the mail order business and to make it possible to reach consumers all over the country.

In 1924, Julius Rosenwald retired as president of Sears, Roebuck & Company and became the chairman of its board of directors. C. M. Kittle was elected president and continued in this position until the time of his death in 1928. General R. E. Wood was then made president of the organization.

Other Mail Order Concerns.—Spiegel, May, Stern Co., of Chicago, founded in 1882, is another mail order house devoted to the sale of household goods, usually on credit. Its business is conducted through both mail order and retail stores, of which it has a small chain in Chicago. Its sales in 1928 amounted to over $20,000,000.

The National Bellas Hess Company was preceded by the National Cloak & Suit Company and the Bellas Hess Company. The National Cloak & Suit Company, the older of the two houses, was established in 1888, by Hartman & Rosenbaum. This concern continued down to 1894, when the ownership was changed to Maurice Rosenbaum & Son. This continued from 1894 down to 1903. Following 1903, the son, S. G. Rosenbaum, continued as the head of the business for twenty years. On his retirement Herbert C. Freeman was made president. Combination with Bellas Hess Company took place in 1927, and the Charles William Stores, a general mail order concern, located in Brooklyn, was added to the organization in 1928. This organization has also entered the chain store field.

The Larkin Company of Buffalo, a combination of a mail order and house-to-house selling organization is a concern of unique character. It was established in 1875. The Larkin Company began as a soap manufacturing concern, and during the period from 1875 to 1885 carried on its sales through the regular channels of wholesalers and retailers. Its history as a mail order concern began in 1885, for that year the Larkin Company began to distribute directly to consumers by the mail order method, offering goods on "Thirty days' trial and pay if pleased." It also offered an extensive list of premiums in connection with the sale of its regular goods and for giving assistance in securing orders from new customers. In addition to the various soaps and washing powders making up its original line, tea, coffee, flavoring extracts, and other grocery products were added. To insure orders of profitable size, customers were

offered specialized lots of goods, "$20 worth of products for $10." Among the Larkin premiums that have been widely distributed in connection with the sale of their grocery products were many thousands of piano lamps, Morris chairs and the famous "Chautauqua desk" which found its way into many thousands of homes.

In recent years, branches of the Larkin Company have been established in the principal cities of the country to permit prompt delivery and better sales promotion.

Many additional lines have also been added to the original list of Larkin products, including apparel and home furnishings as well as food products, toilet goods, perfumeries, jewelry, and silverware.

In 1916, the Larkin Company began to establish retail stores. By the end of 1917 it had 5 stores in operation and by 1928 it had more than 200 stores. These stores specialize in food products and combine some of the features of groceterias with service stores. In addition to its regular chain store business, it also conducts a department store in its plant at Buffalo with sales estimated in 1926 at $2,500,000 and a turnover of 10 times per year.

One of the characteristic methods of sales promotion followed for many years by the Larkin Company has been its consumers' clubs called "Clubs of ten," and "Clubs of five." Groups of ten or five housewives are organized, each paying a dollar a month or some similar sum and each obtaining in turn from these contributions Larkin products or premiums. The organizers of these groups receive a bonus in merchandise or in cash for each group organized. Some of the organizers, or club secretaries as they are called, conduct a number of groups at the same time.

The Larkin business at the present time consists of sales made directly to consumers, from catalog by mail orders, of sales made to groups of ten or groups of five, and of sales

through the Larkin chain of retail stores. The total of Larkin's sales volume is not published but it must amount to several millions of dollars.

Mail Order Departments in Department Stores.—As already indicated, from their earliest days, the larger dry goods stores and the department stores, after they came into existence, must have had considerable sales as a result of orders coming in by mail. During the period of rapid development of the mail order method of distribution in the 1880's and 1890's, department stores were stimulated to efforts to secure some share of this business by the establishment of mail order departments within their own organizations. Down to 1910 or even later, it was the custom of most of the stores to issue mail order catalogs, some of which were very comprehensive and exceedingly well prepared.

About 1910, or perhaps somewhat before, some of the department stores throughout the country that had aggressively pushed their mail order business, began to question whether such promotion was profitable. Evidently, some of them concluded that it was not, for retail stores that had formerly issued catalogs regularly either annually or semi-annually, began to omit them. R. H. Macy & Company, always in the forefront of discovering means of cutting the costs of distribution, was one of the first of the large stores of the country to eliminate its mail order catalog. In years following, one large store after another took the same course. During the period of the World War and particularly in the years immediately following, with the unsettlement of prices and the costs of mail order promotion rising rapidly, the majority of American department stores that still had mail order departments dropped the practice of issuing regular mail order catalogs. There are now very few department stores with regular mail order departments issuing periodical catalogs. The best known department store mail order business on the American continent is that of T. Eaton & Com-

pany of Toronto, with stores and branches in many other cities. In this concern, however, the mail order business is said to be entirely separate from the department store business. Its mail order volume is also said to be fully as important as its regular store business, if not more so.

Nearly every store of any consequence receives considerable business by mail orders. Many stores promote the sales by mail, but they do not attempt putting out season catalogs and carrying stock to support these catalogs as they formerly did. Mail orders are filled from regular, current stocks only.

In many cases the mail order catalogs were replaced by an increased use of direct mail advertising matter or booklets, circulars, lists, and so on, but, obviously, intended to serve an immediate and temporary purpose instead of as a manual on merchandise values good for six months.

The great difficulties encountered by the regular large mail order house in 1920 and 1921 of meeting the rapid value declines in their inventories similarly affected the mail order departments of department stores. The marked tendency toward hand-to-mouth buying, prevalent since 1921, has likewise discouraged retail plans of operation involving the issue of bulky catalogs and making stock preparations to insure prompt handling of orders received from catalog customers. Altogether, the movement of the times in the retail store business has apparently been away from the mail order method.

A mail order business of considerable volume is transacted through the shopping departments conducted by the fashion and home magazines for their readers, as well as by professional shoppers located in the larger cities who make personal selections for their customers in the retail stores of the city. The shopping carried on by periodicals or by professional shoppers is usually remunerated by commissions or discounts allowed such organizations by retail stores. There is no way of estimating the total volume of such mail order shopping.

Specialty Mail Order Business.—When the mail order business is mentioned, both students and business men are likely to think of Sears, Roebuck & Company, Montgomery Ward & Company, and other similar large general mail order institutions as representatives of this type of retail marketing. While the total sales of these mail order houses, as well as of the mail order departments in department stores, are very large, there are literally hundreds of other concerns making all, or part, of their sales to consumers by the mail order method. On looking through the advertising pages of almost any periodical one may see the extent of this business both in point of numbers of concerns and varieties of goods offered. An entire group of periodicals and magazines going into homes is termed by advertising men "mail order periodicals." Most of the advertising carried by these is from concerns who make their sales through this method.

Among the commodities extensively sold by the mail order method are books and subscriptions to magazines, home furnishings, frequently offered by mail on the instalment plan, jewelry, watches, garden seeds, flower seeds, bulbs, nursery stock, medical preparations, cosmetics, clothing, dress accessories, tools, and novelties.

Many publishers of books, periodicals, music, maps, and other printed matter, secure most of their sales through the mail order method. There is an extensive business conducted by mail in the sale of correspondence courses and educational reading courses covering almost every branch of human learning. Certain specialty food products such as fruits, nuts, dairy products, fish and fish products, jellies, jams and preserves, and even vegetables are sold by mail. There is a considerable volume of business by mail in musical instruments. Office supplies are sold by mail as are also securities and even life insurance. One concern, the Postal Life Insurance Company, depends upon the mail order method exclusively for its new business. The Kalamazoo Stove Company has had an enormous business

in household stoves. The Gordon-Van Tine Company of Davenport, Iowa, sells lumber ready cut for houses and garages all over the country. Some of the mail order jewelry concerns, such as Daniel Low & Company of Salem, Massachusetts, Jason Weiler & Sons of Boston, J. Lynn & Company and L. W. Sweet, Inc., of New York, and Loftis of Chicago, have conducted successful mail order businesses for many years.

In the aggregate, the volume of business transacted by the specialty mail order concerns must be enormous, probably fully as much as the total of all mail order business transacted by the large general mail order houses and the mail order departments of department stores combined.

Conditions Favoring the Growth of the Mail Order Business in America.—The mail order method of distribution to consumers may be found to some extent in all parts of the world. It is, however, a method that is most highly developed in the United States, Canada, Australia, and other parts of the British Empire, and to a considerable extent in France and the French colonies. Though occurring, as already indicated, to some extent in all countries, it is clearly a method of marketing consumers' goods reaching its highest levels in comparatively new and growing countries. The mail order business has had a remarkable growth in the United States, greater than in any other country and also possibly greater in proportion to population and purchasing power. The rapid development of the interior and western parts of the United States during the past fifty years has supplied some of the conditions especially favorable for the progress of this method of distribution.

1. Former Isolated Farm Life in America.—Up to recent years, the typical American country dweller lived an isolated life. His home was located on his farm, distant not only from town but from neighbors as well. Farmers in older countries live in villages and are thus closer associated with each other, as well as with their local shopkeepers. The isolation of the

farm home in America has been given as one of the reasons for the independence of spirit, a characteristic quality that is at once a strength and a weakness of the typical American farmer. On the whole, the farmer has felt very little interest in the upbuilding of his community or in anything but his own farm and family. Unlike the farmer of the older countries, he has felt no particular interest in his nearest town and was as likely to entertain a suspicion or dislike for townsmen. This indifference and even antagonism toward the town was common in earlier years throughout America. Under these circumstances it was not surprising that when the opportunity to trade by mail presented itself it met with but little traditional opposition. The farmer was as ready to trade with a mail order house in a distant city as to trade with a retailer in the nearest village.

2. **High Literacy and Wide Circulation of Periodicals.**—The mail order business is almost absolutely dependent for success upon the ability of its customers to read and write. The rapid spread of popular education in the earlier years of the nineteenth century, even to remote country districts, has undoubtedly been an important factor preparing the way for the successful growth of the mail order business. Conditions of high rates of literacy have carried with them a widespread circulation of popular periodicals sold at low subscription rates but exceedingly profitable to their publishers because of the great amount of advertising carried. Much of this advertising at all stages has been mail order advertising. The entire trend in periodical reading has contributed to the development of the mail order business. The reading matter in the form of news, fiction, sport columns, and even the illustrations, has helped to stimulate higher and more expensive standards of living, and advertising has shown the way to satisfy the wants of these new standards.

3. **Increased Earning Power of the People.**—The mail order business has not only been extensive and profitable in the

country districts but also in the industrial centers. Wherever there were masses of people with increasing incomes and rising standards of living there were markets for goods sold by mail. The mail order business has always prospered most during those periods in which the standards of living were rising most rapidly.

4. **Inadequacy and Unpreparedness of Local Retailers.**—The small independent retail merchants, particularly in the smaller towns, were in many cases unable to meet successfully the growth of the progressing demands of their customers. In numerous cases throughout the 1890's and 1900's, the regular retailers seemed unaware of the changes going on in consumer demand. In many other cases they knew that changes were being made but could not see in what direction they were going. Often the customers of retail stores had transferred a large part of their trade to mail order concerns before the local retailers learned anything about it. Customers lost any habits they may have had of trading with local retailers and sought merchandise where there were more adequate stocks and newer styles offered.

5. **Lower Prices.**—From their beginnings, the mail order concerns based their appeals on lower prices. In the earlier days mail order house catalogs presented masses of price comparisons. There was frequent use of leaders of well-known goods at cut prices to prove that prices were lower. Mail order houses urged that by their method of distribution important savings were made, and the larger concerns pointed to their buying power as a proof of their ability to offer goods for less than small-town independent retailers. The advertising methods of mail order concerns have changed greatly in recent years. Price comparisons are now made infrequently. Claims that savings are offered to the consumer by the elimination of middlemen and by the use of quantity buying power have been greatly toned down, but the suggestion that the mail order method

offers great economies to the customer is still very effectively used.

6. **Convenience of the Mail Order Method.**—Not the least of the factors favoring the development of the mail order business has been the opportunity for the customers to study the catalogs, price lists, and other descriptive matter in careful detail without the urging or even the presence of salespeople, and in the privacy of their homes. The general mail order house catalogs have served the American public as veritable text books on merchandise and their uses. No one can deny the great education in merchandise and merchandise values that the American public has gained from mail order catalogs. There are inconveniences in mail order buying, such as the necessity of placing orders before seeing the merchandise, making payment in advance of the receipt of the goods, waiting for the goods, and, in the past, having to pay transportation and other expenses. In all of these respects the local retailer enjoys the advantage over the mail order house but the opportunity to study the catalogs before placing the order was to most customers not only a real advantage but probably a pleasure as well.

7. **Guarantees.**—One of the most effective steps taken by the mail order house to establish confidence and secure business was the early adoption of unconditional guarantees on all goods sold. These guarantees went much further than the guarantees of other retail institutions at the time they were laid down by the mail order houses. They assured the customer that every article purchased would give full and complete satisfaction. If, for any reason, the customer desired to return the merchandise, he might freely do so without question and might have other goods instead or his money refunded, whichever he desired. Any transportation charges paid out would be refunded. It was thought by many retailers that this policy would result in such great numbers of returns as to wreck the business. Although returns in mail order houses run into considerable amounts,

ranging from 5% to 10% of total sales, it has been found an exceedingly profitable policy because of the great increases in business secured from consumers who might not otherwise order anything.

8. Truthful Advertising.—Leading mail order houses were among the earliest retail concerns to take steps to insure truthfulness of statement in their own advertising. The earlier mail order advertising of the 1880's and 1890's, particularly of the specialty mail order houses, was full of exaggeration and dishonest statements. A continuance of these practices would have destroyed the possibilities of building a substantial mail order business and would probably have wrecked the effectiveness of advertising itself. Following a consistent policy of truth telling, or at least attempting to do so, turned out to be a very profitable policy in the long run. Mail order customers believe the statements made in the advertising and catalogs of the mail order houses.

9. Mail Order House Aided by Development of Post Offices.—The mail order method of distribution has undoubtedly been greatly benefited by the progress made in the improvement of the post office system. The one-cent postal card came into use in 1873, the two-cent postal rate on first-class letters was established in 1883. For many years during the early stages of the development of the mail order business they were permitted to ship their catalogs and other advertising matter as second-class mail at the very low second-class mail rates. Later, this was modified so that the expenses of shipping catalogs were considerably raised and, as indicated in the chapter on independent stores, an effort was made by competing interests to crimp the development of the mail order house by the passage of the parcel post zone system following 1912. The mail order house met this new condition very easily by establishing distributing points for their catalogs as well as their merchandise in widely scattered cities, by shipping their catalogs and merchandise in

freight carload lots to these distributing points and then redistributing to local addresses at the low first and second zone postal rates. The development of branch houses and warehouses during recent years by the larger mail order houses has not only eliminated any discrimination against the large mail order houses intended in the postal zoning system but has turned out to be a help. Some of the larger mail order houses now pay the postal charges and also the freight on all goods ordered by mail.

10. **Improved Service.**—The mail order houses have been very active in improving their internal operations to the end that customers might receive their goods as soon as possible. Every possible modern mechanical device has been utilized in the offices of the larger mail order concerns in the handling of orders, such as letter openers, duplicating invoice typewriters, pneumatic tubes, gravity conveyors, checking systems, and time scheduling of all operations. An order goes through a mail order house on a time schedule as definitely worked out and as carefully followed as time schedules in the best managed railroad systems. Each order, as it is received, is given its time table, which provides for each operation required in filling the order to be performed within a certain time, and the order completed and merchandise shipped at a certain time. A 24-hour shipping service is now practically the universal rule in well-managed mail order concerns.

11. **Effective Merchandising.**—As indicated above, there have been many conditions favoring the development of the mail order business, such as the economic and social progress of the country, the inability of the older retailing systems to take care of the rising consumer wants, and the development of mail order efficiency in giving consumers satisfactory service. These conditions, however, form merely the background for the real explanation of the progress of mail order distribution, namely, effective merchandising. The successful mail order houses have

shown marked success in interpreting and even in anticipating consumers' wants. New varieties of merchandise or varieties with but a limited previous use were given a place in mail order catalogs and in many instances the sales therefrom justified the daring of the mail order merchandising managements.

The big mail order houses, through their catalogs, placed extensive lines of merchandise within reach of consumers whose only shopping alternatives were small stores with very limited stocks. For several years the two largest mail order concerns have listed from 30,000 to 40,000 items as against 3,000 or 4,000 items to be found in the typical general merchandise stores or 8,000 to 10,000 items found in fair-sized department stores.

The mail order houses have been especially successful in developing modifications in the production of expensive goods, making them available to the public at much lower than usual prices. In almost numberless cases mail order house buyers have worked with manufacturers, planning products at lower costs of production or of considerably greater utility at the same costs.

Mail order merchants have, in many cases, carefully sought for and concentrated their marketing efforts on articles of merchandise of fairly wide sale but with high marketing margins made necessary by the older and more expensive methods of selling. For example, sewing machines, cream separators, and pianos, which usually carried gross margins almost, if not, fully equivalent to the costs of production, were boldly selected by mail order houses, given powerful advertising promotion, but offered at prices far below the usual prices on such products. The radical reductions in these prices as compared to the prices charged by regular retailers attracted large volumes of business to the mail order houses. It has constantly been a policy of the mail order house to make special drives for business in lines ordinarily bearing high dealers' profits.

In times of business depression, despite the inherent diffi-

culties and inflexibility of the catalog system in quickly meeting business changes, the more successful mail order houses have been as active as the department stores in picking up large volumes of "distressed" merchandise and offering them to their customers by means of circulars or fliers at very low prices. Following the panic of 1893, men's suits, formerly sold for $10 and $12, were offered by the mail order houses by means of special circulars at $4.98. Similarly, extraordinary values were offered to consumers after the panic of 1907, and again in the business depression of 1921. Thus, during periods of business depression, failure to realize from their regular catalog system has not deterred these concerns from aggressive merchandising intended to build reputation and goodwill for the future.

The mail order concerns in common with department stores and chain stores have been extensive users of leaders to attract trade, both in their catalogs and in their special advertising. Entire lines of goods, such as groceries, were sold for years at no possible prospect of profit but on the theory that customers for these goods would repeat their orders often and would include orders for other goods with their grocery orders. As one mail order merchandise man expressed it, "Get the consumers' grocery business and you will get all the rest." Leaders, however, have been used in many other lines and up to a few years ago nationally advertised goods were frequently used for this purpose. In recent years there has been a notable decline on the part of the leading mail order houses to use nationally advertised goods at prices very much below the prices charged by regular retailers. In making arrangements with the manufacturers of such goods, mail order house buyers usually insist on a difference in resale prices corresponding to the difference in total costs to the consumer, that is, the mail order house may desire to mark an article usually sold for $1 at about 89 cents, the difference of 11 cents being the amount necessary to cover the customer's expenses incidental to ordering from the mail

order house. This difference in price, according to the mail order house buyer, puts the mail order house on a competitive parity with local retail stores.

The mail order houses have also been outstandingly aggressive and daring in trying new methods of business promotion some of which have turned out remarkably well, while others, quite naturally, have failed. As early as the 1880's, C. O. D. offers were made by the mail order houses. Many advertisements during the 1890's offering sewing machines, musical instruments, and other goods began with the expression, in big black letters, "Send no money." The C. O. D. offer followed in small type.

At one time, Sears, Roebuck & Company attempted an extensive premium scheme as a part of its merchandising but this did not succeed. For a number of years prior to the World War, there seemed to have been a distinct trend on the part of the larger mail order houses toward manufacturing their own goods. The principal mail order houses acquired many factories. Since 1920, however, manufacturing operations have not figured very extensively in the merchandising plans of these companies.

The mail order houses have been keen students of all consumer movements. Extensive surveys have been made from time to time of trends in consumer demand, particularly to determine changes in consumer attitudes toward various methods of doing business. Questionnaires, field studies, tests, and experiments with consumer trends have been used almost continuously.

The larger mail order houses have consistently cultivated the goodwill of the public by active participation in matters of public interest. Julius Rosenwald of Sears, Roebuck & Company has been an active factor in education, charities, and the development of the arts. He gave extensive promotion and cooperation to the establishment of the system of county agents, since provided for by the federal Smith-Lever law. In 1923, he

established the Sears, Roebuck & Company Agricultural Foundation, the object of which is to assist in every manner possible in promoting the economic and social interest of the country population in the United States. The contacts of the larger mail order houses with the public throughout recent years have been marked by broad, keen foresight into the welfare of their clientele as well as their own business.

Problems of the Mail Order House.—The mail order house method of distribution is beset by as many and as difficult problems as any type of retailing in existence. Its dependence for trade upon advertising and upon orders received through the mails, raises a whole series of problems constantly demanding attention and solution.

1. **High Costs of Catalog Distribution.**—Since the catalog is the salesman for the mail order house, how to secure its best distribution is constantly a problem. In the specialty mail order houses, the problem is how to get inquiries and make sales at a reasonable cost. Obtaining inquiries by mail is almost always an expensive matter and after the inquiry has been made the next problem is to make the sales.

In the general mail order businesses, the distribution of catalogs attained during recent years has been so wide that the number of catalogs issued per season indicates the approach to the saturation point. Sears, Roebuck & Company claims 11,000,000 regular customers and Montgomery Ward & Company claims more than 8,000,000 regular customers. The question before the big mail order houses is how the distribution of their catalogs may be profitably increased. Each catalog of these big houses represents a manufacturing cost and transportation expense that must come close to a dollar a copy. Poor distribution would prove ruinous. How to control the distribution and prevent the waste of sending catalogs to persons who do not order merchandise is an ever-present problem. One method used is to check the orders received from customers throughout the

season, and unless orders to the extent of $5.00 have been received the new catalog for the next season is not sent. This method insures an active live list of catalog customers. Another problem of the mail order house is to find new people to take the places of those dropped. The annual turnover of names on the catalog lists of the large houses is said to average about 20%.

2. **Methods of Increasing the Sales per Catalog.**—Recent reports from executives of the two largest mail order houses indicate that orders received from customers average about $12.50 per season or $25 per year. This means an average of $12.50 per catalog. Analyses made at various times indicate that from 75% to 80% of the total sales volume comes from a relatively small proportion of about 30% of all of the mail order house customers, therefore 70% of the catalogs sent out bring in only from 20% to 25% of the total sales. Obviously, there are large numbers of catalogs issued which do not draw enough trade to pay for themselves.

The problem before the mail order house is how it may increase the sales per catalog either by securing larger average orders or more orders per season. In planning the catalog and other forms of sales promotion, this purpose is constantly kept in mind. One of the methods found helpful to induce prompt and frequent reorders has been to include bargain circulars describing odds and ends of merchandise, not currently cataloged, with outgoing packages. These circulars are said to yield a higher return than any other form of inclosure. A large percentage of orders coming in for special or bargain merchandise include orders for regular merchandise upon which the concern has some opportunity to make its profits.

3. **The Most Profitable Use of Catalog Space.**—Mail order house catalogs, as we have already seen, are expensive. The total advertising expenses of mail order houses, of which

the catalogs are the principal items, are said to range from 8% to 12%, averaging perhaps 10% of sales in the general mail order houses, and even much higher in specialty concerns. The total cost of an issue of catalogs for a large house runs into enormous sums of money and each of the pages making up the book should produce its quota of the total sales of the concern.

If it may be assumed for purposes of illustration that a 1,000-page catalog costing about a dollar to manufacture and mail is distributed to 5,000,000 addresses, then each page costs the concern $5,000. Let us assume again for purposes of illustration that the advertising costs average 10% of sales, then each page costing $5,000 must bring in at least $50,000 in business. In planning the catalog it is the responsibility of the merchandise departments and the advertising department to have merchandise described on each page that will bring in not less than this amount of sales. Determining what merchandise shall be carried, planning the amounts to be purchased in advance, and making arrangements for reorders, writing the copy and securing the illustrations for this merchandise to be described on a page that will secure a volume during the coming season of not less than $50,000, is a problem of real seriousness. Mistakes made in the selection of the merchandise or in its advertising will prove very expensive indeed. In a catalog listing 30,000 to 40,000 items there are certain to be a number of badly selected and badly advertised items, so there must be at least an equal number of successes in order that the average of returns may be maintained or exceeded.

Furthermore, careful regard needs to be taken to the order in which merchandise is presented in the catalog, and in this the convenience and desires of the consumer dominate the plans of the advertising department. The aim is to present the goods in the order and in sequences that may prove most appealing to most customers, and so that the customer may have the benefit of as many suggestions as possible

Probably all general mail order houses as well as all other classes of retail concerns handle some merchandise items that are in themselves unprofitable. How these shall be presented in catalog space so that they may indirectly be most serviceable to the company is another important and difficult problem. Furthermore, there is always the question of how many brands or lines may be adequately necessary to take care of the house's customers. For example, is it necessary to have twelve different price lines of men's hats and twenty different price lines of hosiery? Is it necessary to have forty different fountain pens? The trend of the times is toward the limitation of lines, but too rapid reductions may make the catalog look starved and cause customers to place their orders with competitors.

4. Consumers' Complaints and Returns of Merchandise.—A mail order house may obtain a negative measure of its status with consumers by considering the number and trends of complaints received. This measure is usually expressed as the percentage of such communications to the total number of letters received. A mail order house in which complaint letters amounted to 5% of its total mail would be considered operating at a fairly high efficiency. Such a standard would, of course, be out of question in other types of retail institutions in which customers' mail is an unimportant factor. There are department stores in which at least 25% of all letters received from customers, aside from monthly remittances on bills, are complaints. As in the case of department stores, complaint letters in the more successful mail order houses are made the object of very careful study. Every complaint is carefully adjusted and traced to its cause and, where possible, steps are taken to prevent its recurrence.

Returns of merchandise from customers under the terms of the very liberal guarantees of mail order houses constitute a difficult and growing problem. It has been reported that the rate of returns has increased considerably during recent years

and that the trend at present is decidedly upward. How this problem may be met constitutes one of the most pressing questions before the mail order executive. Customers who return merchandise indiscriminately are checked and eliminated from the lists. A customer who has abused the return privilege is simply told either directly or indirectly that his patronage is not desired.

One of the most difficult problems faced by department stores and specialty shops is customers' returns. This subject will be given special consideration in a later chapter. It may perhaps be presumed that as mail order distribution grows and spreads into the fields in which department stores and specialty shops are strongest, the problems of returns among mail order houses will likewise tend to grow even more troublesome. The 5% or 6% of total sales now returned to the large general mail order houses may possibly reach the 8% to 15% returns common in department stores.

5. The Difficulties of Catalog Merchandising in Fashion Lines.—Independent retail stores and even chain stores may buy and sell out merchandise in very short periods of time. Goods bought on one day may be entirely disposed of and the floors cleared for quite different goods within a week, or two weeks at most, thereafter in almost any part of the United States, the amount of time between purchase and final sale depending upon the distance the goods must be transported before they arrive in the store. Mail order merchandising, on the other hand, requires a great deal more time. Goods must be selected and purchased at least in sufficient quantities to cover a large part of the total season's requirements, copy must be written, illustrations drawn and approved for the catalog, and the catalog itself must be printed and then distributed before a single sale may be made. The interval between the actual purchase of the goods and first opportunities for prospective customers to purchase probably averages from 2 to 4 months.

The life of the catalog should be 6 months, so that the merchandising plans must all be completed months in advance of the opportunity to cash in on them.

This long period intervening between the time of preparation and the time of actual sale of the goods makes it very difficult for the mail order house to carry on an extensive business in lines of merchandise in which rapid fashion changes constitute an important factor. Mail order houses must perforce deal in goods in which the elements of style are fairly stable, and make their selections from among the fashions most likely to continue over considerable periods of time. Mail order houses must, therefore, center their merchandising efforts, so far as fashion goods are concerned, on the more conservative and slower moving current fashions. The mail order house can scarcely hope to secure the trade of customers who have the means as well as the desire to indulge in novelties, new styles, and extreme fashions, through the use of regular season catalogs. The alternative is to deal in "middle of the road" merchandise. It is not impossible, however, that mail order methods may be applied on a large scale to the sale of fashion goods by means of monthly fashion catalogs issued during those months in which consumer interest in such lines is most active, as for example, February, March, April, August, September, and October.

A great deal of thought and energy has been devoted to the problem of catalog preparation, particularly with the view of cutting down the amount of time required for its issue. Much progress has been made in the organization of catalog making, such as scheduling the preparation of merchandise plans and of catalog copy on staple goods, so as to permit last-minute additions and changes on new goods and on goods in which fashion change is highly important, as well as to make changes in retail prices made necessary by market trends, competition, and so on.

6. The Problem of Rising Costs.—Mail order houses, in common with all other types of business concerns, have encountered steeply rising trends in all operating costs, including labor, rent, advertising, and supplies of all kinds used. The effect of these rising costs has been to increase the relation of operating expenses to sales. There are no published figures showing precisely what mail order house operating expenses amount to, but if one may assume that the market gossip upon this point is correct, then the operating expenses back in 1913 to 1914 ranged from 16% or 17% to 22% of sales. At the present time it is believed that the range is at least 5% higher. Although the various items of expense in a general mail order house must differ very greatly from the same classes of expense items in a department store, it is not improbable that the total expenses run at nearly the same levels. The rising trends in expenses have forced the mail order houses to restudy their methods of operation, to adopt ingenious methods of saving operating expenses, and to make intensive efforts to increase sales volume in order to hold the proportions of overhead as well as operating expenses from rising. The establishment of comprehensive systems of warehouse and branch offices and the decision made in 1929 by the larger mail order houses to pay the postage and freight on all goods shipped to their customers must have added considerable burdens to the already heavy expenses of those mail order houses. The extension of credit and of instalment payment methods on higher-priced goods which has been a growing factor in the methods of operation of the larger mail order house for years has become more and more important as volume of business transacted has increased. In view of these additions to equipment and service, it may perhaps be questioned by an outsider as to whether there are now any advantages in operating expenses of the mail order houses in comparison with other types of retail institutions.

7. The Growth of Competition.—In recent years, the mail order method of doing business has encountered increased competition from independent small stores who have learned how to carry on their business more successfully. Local retailers, generally speaking, are no longer so passive nor so heedless in their attitude toward trade leaving their communities and going to the mail order houses. Chain stores have also sprung up all over the country. Some of the chain stores, particularly such concerns as the J. C. Penney Company, have established themselves in the very hearts of the industrial and agricultural towns in which the mail order houses have for years enjoyed large businesses. The development of good roads and almost universal use of automobiles has made it possible for people in every section of the country to make their purchases in cities which, in former times, were much too far away for trading. The increased opportunities of consumers throughout the country to visit first-class attractive retail stores carrying wide ranges of desirable goods has made the mail order prospect very different from what it formerly was.

8. The Establishment of Chains of Retail Stores.—Looking back at the developments in the mail order field during the last ten years, it seems almost to have been inevitable that the ambitious aggressive owners and managers of the mail order houses should have made efforts to find new outlets for their capital and energies as the regular mail order business gave indications of approaching a stabilization point. The chain store field offered the most attractive prospects and the rapid, almost feverish, development of the mail order house chains since 1924 is an indication of the ambition of these concerns to become dominant in the retail store field as well as in the mail order field.

The establishment of retail chain stores, however, has raised a host of new problems for mail order house executives such as are peculiar to the chain store field. Serious questions

as to obtaining suitable locations, building and equipping retail stores, finding and training managers and other employees, deciding on what stock shall be carried and how it is to be merchandised, and, at the same time, developing methods of control to insure the success of these new ventures, constitute liabilities that the mail order houses have assumed in forging their way into the new methods of retail distribution. That the progress of these chains has apparently been highly successful is undoubtedly in part due to the splendid general public goodwill enjoyed by these concerns, a goodwill that has served to secure and hold consumer trade during the experimental period in which the chain store system was finding itself.

The earliest retail stores in the mail order houses were obviously intended to serve as outlets for season's odds and ends and merchandise that did not sell well through the catalogs. They were intended to relieve the mail order house inventories at the least loss. Some of these stores were known as "outlet stores." They were, of course, located at or near the mail order plants or warehouses. Probably the earliest of these was conducted by Montgomery Ward & Company in Chicago. Another was conducted by the National Cloak & Suit Company in New York City many years before there was any thought of running a chain of stores.

During 1924 and 1925, however, there was a veritable rush of the mail order houses into chain store systems. It was during this period that Montgomery Ward & Company, Sears, Roebuck & Company, The Larkin Company, and the National Cloak & Suit Company, as well as some other smaller mail order houses, began to establish their chain store systems and, as these systems developed, plans were formulated for larger and larger chain store organizations intended to cover the entire country.

Competition.—Small independent retailers, particularly in the smaller towns, were greatly agitated by the progress made

by the mail order houses in the period from 1905 down to 1916. Several efforts were made by associations of such retailers to secure some control or restriction over the growth of the mail order business. Since the mail order business was interstate business, such efforts were directed toward obtaining national legislation. Aside from changes in the parcel post system, elsewhere referred to, these efforts resulted in failure.

Local efforts to curb mail order competition took the direction of organizing consumers against making purchases from mail order houses. Consumers were urged to trade at home and to support local institutions. Although much effort was expended on these promotions, there is very little to indicate that they had any material effect on the distribution of consumers' purchases.

Following the failures to get the consuming public to patronize their own home stores rather than distant mail order houses, retailers very generally settled down to study and devise plans for meeting this competition of the mail order houses in terms of prices and services. It is quite certain that these efforts did more to stabilize the competition than the earlier efforts to control the mail order houses by laws or by attempts to arouse public antipathy. An examination of the sales figures of the principal mail order houses seems to indicate, however, that despite all efforts made by local retailers and their associations, the trend of mail order house sales has been steadily upward. That the clamor against mail order house competition has subsided in most parts of the country may be due either to the fact that independent retailers have learned how to hold their own and get their share of the total increasing retail trade, or that a newer and more dangerous competition has appeared which has taken attention from the mail order evil, as it was formerly called.

The growth of the chain stores, particularly of the J. C. Penney, W. T. Grant, and Neisner types, has probably given the general mail order houses more serious, vital competition

than any competition ever growing out of efforts of individuals or of associations of independent retailers. The rapid growth of these chain stores must have been a factor in the consideration which led to the establishment of the mail order house chain stores.

The mail order houses have almost continuously been keen competitors among themselves. Both of the best-known concerns have largely sought the same classes of trade, the catalogs of both concerns might very generally be found in the same homes. An effort was made during the years from 1926 to 1928 to consolidate Sears, Roebuck & Company and Montgomery Ward & Company. Rumors of such consolidation were rife but finally passed over. Probably it was a good thing for both houses that they were kept separate. There are many business students that doubt that the combined volume of the two could have been kept up to their separate results.

The competition of the mail order houses has now entered a new phase through the establishment of their chain stores. This competition has broadened so that it has become a factor not only in small towns but large cities as well, not only with independent stores but also with chain stores and department stores. That the competition of mail order houses has so far affected large city stores but little, points to the fact that the mail order houses have generally carried classes of merchandise not generally handled by the higher-priced department store trade. The fact that retail trade as a whole has been growing very rapidly has made it possible for all classes of retailers in spite of competition to enjoy marked increases. The real test, it may be assumed, will come when, and if, the retail business as a whole should, through declines in national income and in standards of living, suffer a set-back.

Trends of the Mail Order Business.—Mail order houses of all classes, so far as is known, enjoyed a fairly constant upward trend in sales volume previous to the World War, and

again in the two years following the war down to the latter part of 1920. Most mail order concerns suffered severe reverses not only in sales volume but profits as well during the business depression of 1920 and 1921. Many passed out of existence. Others were forced to modify their methods of doing business. The large concerns whose names are familiar to consumers all over the country have generally recovered all of the ground lost during the 1920-1921 business depression, and the

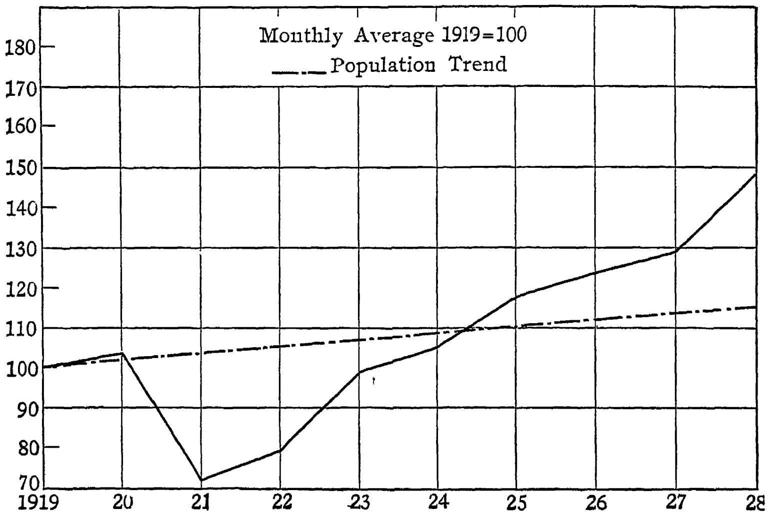

Figure 48. Mail Order Sales Trends

From statistics compiled by the Federal Reserve Board. (*Survey of Current Business*, February, 1929.)

two largest organizations now have greater sales volumes than ever before. It does not appear, however, that the mail order trade as a whole has generally been so successful in recovering and maintaining its upward trend as have these two giant concerns in the field. Certainly the proportions of mail order business conducted by department stores and other specialty shops has declined. Perhaps a part of it has been replaced by telephone orders, an important development. There do not appear to be as many specialty mail order firms at present as there were in

pre-war times. It seems likely that the mail order business as a whole has not even held its own as compared with the years before and up to 1920. (See Figure 48.)

The conditions favoring the development of the pure mail order business during the twenty or thirty years before the war were greatly changed after 1920. The isolation of country homes and villages was largely broken down by the development of good roads and the use of automobiles. There is scarcely a home in the United States now that is more than two hours distant by automobile and good road to good general or department stores, competing in variety, quality, and price with the mail order houses.

Retail stores formerly suffering from mail order competition have greatly improved their service, merchandise stocks and methods of doing business. Live, aggressive retailers, even in the smaller towns, have ceased to fear the mail order houses and have begun to work constructively in the face of mail order competition to build up their business. The chain stores have spread rapidly and do not fear mail order competition at all. There was and there still is an important place for mail order business in this country, just as it is carried on in England, France, or Germany, where economic and social conditions are far more mature and stable than in this country, but for the future, it seems that the mail order business has reached and perhaps passed the point at which the rising curve has begun to flatten out.

The chain store systems established by the big mail order houses have reopened the prospects of growth for those particular concerns.

In conclusion, it seems safe to state that for this country, the mail order business, conducted on purely mail order lines, has probably passed its peak, and, while the volume of mail order house business will probably always continue to be an important part of the total retail volume, it does not seem likely that it will become more important as a competitive factor.

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CHAPTER VIII

THE CHAIN STORE

The chain store is a retail organization composed of two or more retail stores owned by and operated under one management. This definition marks the technical distinction between chains and independent unit stores, but the characteristic features of chain store operation do not appear until several stores are included in a group.

Chain store management has developed methods which are only available to systems in which there are many stores. In the grocery field, practical chain store men assert that the full possibilities of chain store methods cannot be secured without at least fifty retail stores. The best results, it has been stated, may not be obtained until the chain has reached 200 or more units. What the number of units may be that are necessary to effective chain store administration in other lines depends upon the sales volume for individual lines of goods through those outlets. There must be a sufficient number of outlets to provide a buying power that will make it possible to secure the best advantages on the goods handled.

It may also be indicated that there is probably some point in the size of chain store organizations beyond which additional units yield no additional advantages and may, in fact, yield diminishing returns. Indeed, additional units beyond the number necessary to secure the best results may tend only to increase expenses and to cut net profits. Beyond certain quantities, there are no additional advantages to be gained from quantity purchases. The cost of supervision grows. The difficulties of control multiply. The system becomes less flexible. Some of the largest chain store organizations have met this problem by

dividing up their concerns into divisions, virtually separate chain systems. Among such are the Great Atlantic & Pacific Tea Company, the F. W. Woolworth Company, and the Safeway Company. Each division is presumably kept at a size permitting most efficient operation.

Wide Variety of Chain Store Systems.—Chain operation has now been applied to practically every type of retail institution, and to the sale of almost every kind of merchandise. In addition to the application of the chain idea in the ordinary retail fields, there are chain organizations operating hotels, law offices, doctors' and dentists' offices, beauty shops, correspondence schools, newspapers, undertakers' establishments, insurance agencies of various kinds, banks, public accounting concerns, investment houses, advertising agencies, junk dealers, second-hand stores, barber shops, bakeries, shoe repair shops, and so on. The chain principle of operation is indeed at the bottom of some of our most important organizations, such as city school systems, playgrounds, fire stations, hospitals, and libraries. Religious societies are essentially chains. In fact, some of the well-known churches are the largest chain organizations in the world.

The Development of Modern Chain Stores.—Attention was called in the historical chapters to the ancient origins of the chain idea in business. Many of the merchant adventurers of England and other European countries during the Middle Ages, had agencies or branches both for the purchase and the sale of goods in many widely scattered places. Their sales places were, undoubtedly, in most cases wholesale establishments, and their customers were other wholesalers and retailers, but in these organizations there was a well-developed germ of chain systems. The various companies of merchant adventurers were literally cooperative chain organizations operated under royal charters.

The Fuggers of Augsburg, Germany, an organization origi-

nating in the early part of the fifteenth century and continuing for several hundreds of years following, was engaged in the manufacture of fabrics, in mining, banking, international trade, and established and controlled numerous branch houses for the sale of their products. While this organization dealt with large concerns, there were in it important elements of the chain store system.

The Mitsui organization of Japan originated about the the same time as the House of Fugger and is still in existence as the most powerful and wealthiest business concern in Japan, carrying on activities similar in scope to those of the House of Fugger. The Mitsui organization likewise embodied chain principles.

The Hudson Bay Company, without doubt the oldest chain organization in North America, was established in 1670. Its trading posts during the eighteenth and nineteenth centuries were scattered all over the Canadian Northwest. In recent years, the Hudson Bay Company has extended its activities in retail trading. It now operates about a dozen modern high-class department stores in the leading cities of western Canada. It conducts 5 wholesale establishments and has over 200 fur trading posts throughout the Northwest, of which 18 are within the Arctic circle. In addition to its wholesale and retail stores and trading posts, it also operates more than 50 steam and motor vessels on Canadian waters and is one of the largest real estate owners in the Dominion of Canada.

Nineteenth Century Beginners of Chain Store Systems.—There were chain store organizations of a kind in the United States in the early and middle nineteenth century. These organizations have received but scant attention, and received little or no publicity while they were in existence. For business reasons, central organizations tying the individual units together were generally kept secret. These chains consisted for the most part of partnerships of retailing and wholesaling and

importing concerns. Thus, wholesalers in New York and other eastern cities acquired ownership and control over retail stores in the various parts of the country and ran them through local managers who were usually partners with the wholesaler in the ownership of the retail businesses. It is possible that if these arrangements had been published they might have hurt the trade of the parent wholesale concerns with their other customers. Both A. T. Stewart and Samuel Lord, the founder of Lord & Taylor's, held several such partnerships in retail stores scattered throughout the country. A. T. Stewart also had branch stores for a time in Boston, Philadelphia, and Chicago. During the late 1860's, John Wanamaker had branch stores in Pittsburgh, Washington, Richmond, and other cities.

Carson, Pirie, Scott & Company, first established as a retail store in 1854, rapidly grew into a chain. Six other retail stores were established. Each store was managed by a partner of the organization. The headquarters of this group, throughout the late 1850's and 1860's was in Amboy, Illinois. In 1864, a wholesale house was established in Chicago, and later a number of retail stores in the city of Chicago. In the 1870's, the concern gradually disposed of these retail outlets and concentrated its efforts on its wholesale business and on its retail store in Chicago.

H. B. Claflin & Co., a large dry goods wholesale house in New York, was another concern, which during the 1860's and 1870's began to acquire retail dry goods stores throughout the country. H. B. Claflin, the founder, died in 1885. In the years following, John Claflin, his son, continued to acquire control of additional stores. In 1890, the H. B. Claflin Co. was formed to own and manage these retail properties, largely, it afterwards appeared, as a means of holding their trade for the national wholesale house. Later, another group of stores was gathered into a company known as the Associated Merchants Co. which took over the H. B. Claflin Co. In 1909, the United Dry Goods

Co. was created to serve as a holding company for all Claflin enterprises.

The Claflin group thus held together longer than most of the other wholesaler-owned groups that came into existence in the 1860's and 1870's. Eventually, however, the Claflin group found it impossible to continue successfully. After the panic of 1907, business difficulties multiplied for the wholesale house and in 1914 the organization went into bankruptcy.

Most of the retail stores of the Claflin group were successful institutions, but the rule of the buyers was so strong and their prejudices against using the New York wholesale house so powerful that even overhead ownership could not save the business of the wholesale house. Chain store executive technique had not been established sufficiently to check departmental and individual performances, to prevent waste, and to secure results. Each store, in spite of its central ownership, continued to be an individually operated concern. It might not have been possible to save the Claflin wholesale house from extinction. Many other dry goods wholesalers had disappeared long before, but the immediate reason for this failure was the lack of cooperation of its units. The individualistic traits of the buyers wrecked the Claflin business.

The stores of the Claflin group were divided into two chains; the Associated Dry Goods Corporation made up, originally, of 7 stores, and Mercantile Stores, Inc., of 22 stores. The latter organization now has about 40 stores. Samuel Reyburn, formerly in the banking business in Little Rock, Arkansas, was made the head of the Associated Dry Goods Corporation, and Alexander New, an attorney in Kansas City, was made the head of Mercantile Stores, Inc. Both of these organizations have continued down to the present and have grown increasingly powerful and successful.

These earlier chains were apparently chains in ownership only. Methods of supervision and control had not then been developed sufficiently to make central operation possible. The

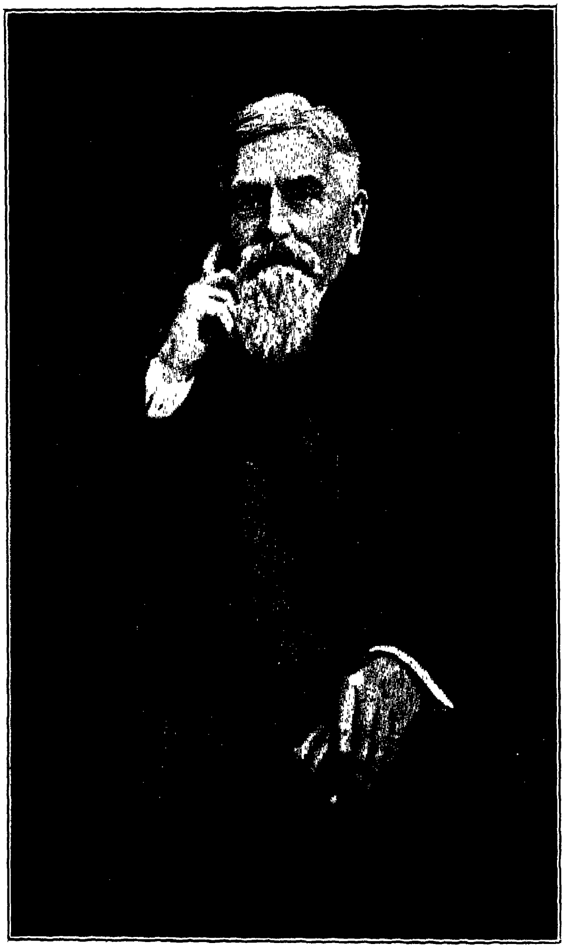

Figure 49. George H. Hartford (1833-1917)

Founder of the oldest of present existing chain store systems in the United States, The Great Atlantic and Pacific Tea Co. The first store was established in New York City in 1859. This company is now the largest chain store system in the world.

interest of a local resident partner, with occasional conferences, suggestions, advice, and directions from the central headquarters was counted upon to secure the results desired in each store. Chain store operation did not begin to be an important factor until accounting methods had been developed and applied to purposes of control and until the corporation, as a method of ownership, had superseded partnerships.

Modern chain store organizations began in the grocery field. The Great Atlantic & Pacific Tea Company began in 1858 as a side line to a leather business conducted by George H. Hartford in New York. This is, so far as is known, the oldest chain store organization now in existence in the United States. The sale of tea and coffee outgrew the sale of the leather so that the leather business was discontinued in 1864. By 1865, this organization had grown to 25 retail stores scattered throughout New York and Brooklyn. Later, peddler wagon routes were established in the West and more stores followed. By 1910, there were 372 stores and by 1915 the number had risen to 1,726 with sales amounting to $44,000,000. By 1929, the number of stores had increased to more than 17,000, with annual sales reputed to be in excess of $750,000,000 a year, the largest retail business in the world.

The next chain organization to come into existence was also a tea and coffee concern; the Jones Bros. Tea Company, established in 1872. This organization was taken over by the Grand Union Company in 1928 and is now operated under that concern. This concern operates grocery stores, meat markets, and a chain of about 1,300 house-to-house wagon routes.

The F. W. Woolworth Company, the oldest of the five and ten cent stores, was established in Lancaster, Pennsylvania, in 1879. There had been earlier efforts in the five and ten cent store business, but the Woolworth business succeeded. On its fiftieth anniversary in 1929, the Woolworth organization consisted of 2,100 stores located in 1,500 cities in five different

Figure 50. Frank W. Woolworth (1852-1919)

Founder of the F. W. Woolworth Co., chain of 5 and 10 cent stores. The first store was established in Lancaster, Pa., in 1879. At the close of 1928 there were more than 1,700 stores in the chain spread over the United States, Canada, England, and other countries. The sales volume amounted to nearly $300,000,000 per year, entirely in goods sold at 5 and 10 cents.

countries of the world. Its annual sales for 1928 amounted to $272,700,000.

A number of chain store systems that have since become very successful and very well-known were established in the ten-year period between 1880 and 1890. J. G. McCrory started in Scottsdale, Pennsylvania, in 1882, and from a humble beginning with a capital of less than $2,000 has built up a chain of more than 220 stores selling goods at prices from 5 cents up to $1, and with total annual sales in 1928 in excess of $40,000,000. One of McCrory's early employees was S. S. Kresge, who later became a partner and continued with McCrory down to 1899, when he separated and established the beginnings of the S. S. Kresge Company, another highly successful chain dealing in 5 cents to $1 merchandise, with more than 500 stores and annual sales in 1928 in excess of $147,000,000.

B. H. Kroger of the Kroger Grocery & Baking Company, next in size to the Great Atlantic & Pacific Tea Company, established his first little store in Cincinnati in 1862. Kroger's characteristic Red Front stores have expanded in number so that at the end of 1928 there were in the chain more than 5,500 stores with annual sales exceeding $200,000,000.

Another well-known chain, James Butler, Inc., handling groceries and other foods, was also established in 1882. James Butler, who had but recently arrived from Ireland, left the hotel business in which he was employed and established his first store in New York City. At the end of 1928, there were in this chain over 1,100 stores.

Three chain organizations came into existence in Philadelphia and eastern Pennsylvania during the same decade, Child's Grocery Company in 1883; the Acme Tea Company in 1887; and the George N. Dunlap Company in 1888. All three of these chains, together with some others, have more recently been absorbed in an amalgamation of general grocers known as

American Stores Company, now numbering over 2,500 retail outlets.

A well-known shoe chain came into existence in 1885—the Hanan Shoe Stores.

In 1887, H. C. Bohack started his first grocery store in Brooklyn. At the end of 1928, Bohack's chain consisted of 460 grocery stores, 208 meat markets, 5 gasoline filling stations and automobile accessory stores, a meat packing plant, and a modern bakery. Sales for the preceding year amounted to approximately $26,000,000.

The J. W. Crooks Stores Company, made up of more than 150 grocery and provision stores with headquarters in Baltimore, was first established in 1886.

During the following decade, from 1890 down to 1900, new chain store organizations came into existence, including the Ginter Company, a chain of grocery stores with headquarters in Boston, established in 1895. Another Boston chain of grocery stores, O'Keefe's, Inc., was established in 1897, and the John T. Connor Co. in 1899. All three of these organizations, with some others, were absorbed in a giant chain, First National Stores, Inc., in 1917. This organization has more than 2,000 grocery and food stores throughout New England. Its annual sales exceed $65,000,000.

The Jewel Tea Company, one of the most powerful house-to-house grocery canvassing organizations now in existence, was first established in 1899. At the end of 1928, it was running somewhat more than 1,100 automobiles and selling about $15,000,000 per year.

S. H. Kress & Company, 5 cents to 25 cents stores, was established in Memphis, Tenn., in 1896. At the close of 1928, it was operating close to 200 stores with sales of more than $60,000,000 per year. Although one of the smaller chains, S. H. Kress & Company appears to be one of the best managed companies. It has had a remarkably successful business record.

Since 1900, great numbers of chain store organizations

Figure 51. James C. Penney

Founder of the J. C. Penney Co., a chain store system dealing in dry goods, apparel, footwear, and allied lines of goods. The first store was established in Kemmerer, Wyoming, in 1902.

have come into existence. With every passing year more chains have appeared. Among the best-known concerns that were established soon after the opening of the century are included; the United Cigar Stores Company in 1901; the J. C. Penney Company in 1902; the United Drug Company in 1902; and the W. T. Grant Company in 1906, all of which have been very successful.

Excepting the F. W. Woolworth Company, it may be stated in a general way that the grocery chains, including the tea and coffee retail distributors, were the first in the field, followed closely by the 5 and 10 cent stores, and after 1900 by a general spread into a great variety of lines.

The Number of Chain Stores.—Though new chain store organizations are coming into existence at a rapid rate every year, the total number of chains is apparently not now growing so rapidly as heretofore, due largely to the still stronger trend toward mergers and amalgamation of chains already in existence. Authoritative information as to the number of chain stores must await the 1930 census.

In the trial census of distribution in 11 cities, taken during 1927 for the year 1926, totals were secured both as to number of chain stores and volume of business in relation to total stores and total volume of business in these 11 stores. Table 9, page 225, is interesting, since it shows what proportion of the total retail trade in each of the 11 cities was obtained by chains, and Table 10, page 226, presents the same information on the total retail business of the 11 cities by the important lines of merchandise.

It may be noted that the number of chain stores made up about 15% of the entire number of retail stores, but in sales ranged from 6.3% in Fargo up to 37.1% of total retail sales in Chicago, with an average for the entire group of 11 cities of 28.7%.

By lines of business, chain store sales ranged from 1.7%

in toys and games up to 73.5% of total sales in gasoline and oil. Out of a total of 47 kinds of retail business, chain stores fell below 10% of the total retail sales in 12 lines, ranging from 10% to 20% in 14 lines, and from 20% to 30% in 9 kinds of business. In the remaining 12 kinds of business, chain store sales exceeded 30% of the total retail business carried on in these 11 cities. It may be presumed, in view of other information available concerning the activities of chain stores, that these figures may be taken as fairly representative for large city conditions, but that in smaller towns chain store development has not reached such high levels. It

TABLE 9. CHAIN STORE BUSINESS IN 11 CITIES
(According to Trial Census of 1927.)

Cities	Total No. Retail Stores	Total Retail Sales	% Chain Stores to Total	% Chain Sales to Total
Atlanta, Ga.	3,749	$ 177,782,800	27.0	30.7
Baltimore, Md.	11,127	369,027,300	11 8	22.4
Chicago, Ill.	41,224	1,981,140,400	15 6	37.1
Denver, Colo.	3,899	155,672,800	14.3	19.5
Fargo, N. D.	392	19,652,600	6.6	6.3
Kansas City, Mo.	5,373	300,310,700	17.4	17.9
Providence, R. I.	4,877	192,272,500	11.6	20.5
San Francisco, Calif.	14,000	655,350,900	14.2	22.6
Seattle, Wash.	5,808	222,842,100	16.0	19.5
Springfield, Ill.	1,151	45,512,900	13.4	18 0
Syracuse, N. Y.	2,328	104,544,100	10.7	14.8
Total	93,928	$4,224,109,100	15.1	28 7

seems probable that for the country as a whole chain store sales may not have reached the high proportions indicated in the trial census. It is possible, however, that by 1929, chain store sales may have amounted to as much as 20% of the total retail trade of the country.

The Extent of Chain Store Development.—The estimate of the number of chains and of the number of stores within

TABLE 10. CHAIN STORE SALES IN 11 CITIES CLASSIFIED BY KIND OF BUSINESS

(From the Trial Census of 1927.)

Kind of Business	No. of Retail Establishments	Total Retail Sales	% Chain Stores to Total	% Chain Sales to Total
Art and antique	508	$ 11,952,600	4 5	6.0
Automobile	1,018	295,530,500	25 1	31.3
Automobile accessory	2,077	61,812,400	8.2	19 3
Bakery	2,606	63,963,900	9.3	11.4
Boot and shoe	2,030	91,546,500	27.3	51 8
Building material	976	151,985,000	17.1	15 1
Cigar and tobacco	3,280	50,218,800	11.6	35 5
Clothing and furnishing, men's	2,834	152,488,400	12.3	19 0
Clothing, women's	1,672	144,028,300	14.7	15.6
Coal, wood, and ice	1,303	89,859,100	11 5	28 2
Confectionery, ice cream, etc.	6,677	64,814,300	5.8	27.7
Custom tailors	1,602	46,135,800	1 9	11.8
Dairy and poultry product	577	70,971,100	10.9	44 0
Department	125	616,489,700	13.6	33.0
Drug	4,397	155,892,200	11 8	29.9
Dry goods and notions	3,292	89,835,700	5.7	8.2
Electrical goods	750	37,975,100	9.5	29.3
Florist	1,016	22,402,900	6.5	13.4
Fruit and vegetables	2,706	36,187,500	15.7	9.5
Fur and fur clothing	354	21,594,000	7.9	11.2
Furniture and house furnishings	2,844	205,357,100	13.6	32.8
Gasoline and oil	4,135	137,352,800	46.4	73.5
General	75	4,562,700	14.7	29.7
Grocery and delicatessen	20,886	488,509,000	21.0	41.3
Hardware	2,472	81,798,200	14.6	9.2
Hat and cap, men's and boys'	255	7,506,200	33.7	51.7
Hay, grain, and feed	201	12,734,300	6.5	6.6
Jewelry	1,370	56,863,200	5.8	17.2
Junk	188	4,508,800	1.1	0.2
Meat, poultry, and fish	5,712	169,912,100	8.6	14.2
Millinery and art, flowers	1,107	22,136,800	20.4	36.9
Motorcycle and bicycle	118	1,612,700	3.4	4.5
Musical	555	36,465,800	13.7	27.2
Office equipment	439	42,176,600	8.7	13.4
Optical goods	252	8,439,000	8.7	16.7
Paint, oil, varnish, and glass	577	17,305,200	5.2	15.7
Photographic supply and camera	107	2,157,400	9.3	6.6
Plumbing and heating supplies	719	33,614,900	9.9	9.1
Radio	371	12,206,800	11.3	20.6
Restaurants	8,350	269,187,300	12.2	33.6
Sporting goods	151	5,047,600	15.2	22.9
Stationery, books, magazines	1,061	37,584,700	15.8	15.0
Toy and game	81	1,370,000	2.5	1.7
Trunks and leather goods	320	9,788,700	9.4	22.1
Typewriters and calculating machines	169	14,305,000	3.6	6.0
Variety	365	56,979,400	55.1	70.7
Unclassified	1,188	208,943,500	8.8	5.5
Total	93,928	$4,224,109,100	15.1	28.7

these chains, made by W. J. Baxter, director of the Chain Store Research Bureau, for the year 1927, is the most comprehensive of any of the efforts recently made to describe the extent of the present chain store business. (See Table 11, page 228.) According to this estimate, there were in all lines approximately 4,000 chains with over 101,000 stores. Of the 4,000 chains, 860, with a total of 64,000 stores, or nearly two-thirds of all chain stores in existence, were in groceries. The 5 and 10 cents to $1 stores came second, with 786 chains and 8,100 stores. Shoe stores came third, with 596 chains and 6,462 outlets. The next group of chain store systems included drug stores, with 347 chains and 3,155 stores. Men's clothing and furnishings, with 230 chains and 2,180 stores, women's apparel, with 215 chains and 2,036 stores, dry goods and department stores with 189 chains and 2,489 stores, and restaurants, tea rooms, and so on, with 166 chains and 2,009 retail outlets, came next in order.

In the great variety of other types in which chain stores are to be found, there were none in which the number of chains exceeded 52. However, cigar and tobacco chains, which numbered but 30, included 2,850 stores, and jewelry and optical chains, numbering 35, included 1,172 stores.

Present Trends in Chain Store Development.—The best and most reliable sources of information on retail trends is the Federal Reserve Index of Retail Trade. It presents a monthly index of changes in sales for a number of department stores and mail order houses as well as chain stores.

By reference to Table 12, page 229, it will be seen that the department stores reporting to the Federal Reserve system showed a gain of 38% from 1919 down to the end of 1928, and that in the same period of time the four largest mail order houses which report their figures made a gain of 47%. In the meantime, grocery chains gained 366%, 5 and 10 cent stores gained 183%, candy chains 136%, drug chains 159%, cigar

TABLE 11. ESTIMATED NUMBER OF CHAIN STORE SYSTEMS IN THE UNITED STATES

(Prepared by Chain Store Research Bureau.)

	No. of Chains	No. of Stores
Automobile supply shops	3	76
Bakeries	12	523
Barber shops	4	36
Candy shops	33	731
Cigar stores	30	2,850
Clothing (men's and women's)	29	531
Clothing stores (women's and children's ready-to-wear)	215	2,036
Clothing stores (men's and boys' haberdashery stores, etc.)	230	2,180
Drug stores	347	3,155
Dry goods stores and department stores	189	2,439
5 and 10 cent to $1	786	8,100
Floral and seed stores	7	49
Furniture and house furnishings	18	179
Gas and electrical appliances	11	176
General and company stores	42	478
Gift and art shops	3	25
Groceries	860	64,000
Hardware and sporting goods stores	52	511
Hat stores (men's)	24	465
Jewelry and optical stores	35	1,172
Meat	52	598
Millinery stores	46	598
Music stores (pianos and other musical instruments)	46	435
Office equipment stores	15	1,003
Radio and electrical goods stores	12	69
Restaurants, tea rooms, etc.	166	2,009
Shoe stores	596	6,462
Shoe-repairing stores	3	35
Stationery, books, etc.	17	356
Wallpaper stores	5	72
Total	3,893	101,536

chains gained 54% up to the end of 1927 but dropped to a gain of only 48% in 1928, shoe chains 64%, and music chains gained 10% up to 1927. In the same period of time, the four great mail order houses gained 47%.

Chain store rate of growth greatly exceeded the rate of growth for both department stores and mail order houses except in the case of music chains, which have apparently had rather a difficult time keeping up an even growth since 1919.

Chain stores are showing a much greater gain in retail sales volume than any other type of retail institution at the present time. Since 1914, it appears that the retail volume passing through chains has considerably more than quadrupled, while department store and mail order house sales have only doubled. Unlike the department store and mail order house sales trends, the largest part of the chain store gain has been made since 1920.

It may be noted in passing that the gains in chain store volumes are, in some lines, due to increases in numbers of

TABLE 12. RECENT TRENDS IN RETAIL SALES
(As reported by the Federal Reserve Bulletin, 1919–1928.)

	(100 = 1919 Sales)									
	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928
Department stores	100	120	112	113	125	127	132	136	136	138
Mail order houses	100	103	72	78	99	105	118	123	129	147
Chain stores:										
Grocery	100	146	130	151	188	214	264	317	390	466
5 and 10 cent	100	120	124	140	165	185	209	229	251	283
Wearing apparel	100	144	164	178	230	272	330	414	525	625
Drug	100	121	123	127	144	150	169	196	221	259
Cigar	100	133	132	128	135	138	142	154	154	148
Shoe	100	120	113	114	123	133	139	148	150	164
Music	100	109	86	101	113	101	122	128	110	*
Candy	100	138	142	147	176	190	199	215	225	236

* Not available.

stores, rather than to increases in sales per store. The sales increases noted in Table 10 for department stores and mail order houses are, with the exception of recent figures for mail order houses, for identical stores over the entire period.

Chain stores differ in respect to their trends of unit store sales. In Tables 13-16, it will be seen that in certain chains, such as the 5 and 10 cent and department store organizations, the average sales per store have increased considerably. In the grocery chains, however, the average sales per unit have actually declined.

TABLE 13. PROGRESS OF INDIVIDUAL CHAIN STORES—5 AND 10 CENT STORES

	S. S. Kresge Company			F. W. Woolworth Co.			McCrory Stores Corporation			S. H. Kress Co.		
	No. of Stores	Sales	Avg. Sales per Store	No. of Stores	Sales	Avg. Sales per Store	No. of Stores	Sales	Avg. Sales per Store	No. of Stores	Sales	Avg. Sales per Store
		(000 omitted)	(000 omitted)		(000 omitted)	(000 omitted)		(000 omitted)	(000 omitted)		(000 omitted)	(000 omitted)
1909	42	$ 5,116	$121									
1910	51	6,508	127									
1911	64	7,923	123				69	$ 3,902	$ 56			
1912	85	10,325	121	631	$ 60,557	$ 95	92	4,764	51			
1913	101	13,258	131	684	66,228	96	105	5,395	50	114	$10,776	$ 94
1914	118	16,097	136	737	69,619	94	113	4,929	45	119	11,897	100
1915	140	20,943	149	805	75,995	94	115	5,613	47	123	12,429	101
1916	157	26,396	168	920	87,089	94	137	6,787	50	130	15,059	115
1917	164	30,090	183	1000	98,102	98	143	7,831	54	144	17,633	122
1918	170	36,309	213	1039	107,179	103	147	9,607	65	144	21,160	146
1919	176	42,668	242	1081	119,496	110	148	11,487	77	145	25,244	174
1920	189	51,245	271	1111	140,918	126	156	14,199	91	145	28,973	199
1921	199	55,859	280	1137	147,654	129	159	14,406	90	142	28,908	203
1922	212	65,191	307	1176	167,319	141	161	17,123	106	145	30,646	212
1923	232	81,843	352	1260	193,447	153	167	21,367	127	152	34,005	223
1924	256	90,096	352	1356	215,501	158	176	25,223	143	161	40,259	250
1925	304	105,965	348	1423	239,032	167	183	29,593	161	166	45,963	276
1926	367	119,218	324	1480	253,645	171	199	33,592	168	169	51,869	306
1927	435	133,847	307	1589	272,747	171	220	39,336	178	183	58,059	317
1928	506	147,363	291	1725	287,318	166	225	41,105	182	193	65,054	337

TABLE 14. PROGRESS OF INDIVIDUAL CHAIN STORES—DEPARTMENT STORES

	J. C. PENNEY COMPANY			W. T. GRANT CO.			F. & W. GRAND			NEISNER BROTHERS, INC.		
	No. of Stores	Sales	Avg. Sales per Store	No. of Stores	Sales	Avg. Sales per Store	No. of Stores	Sales	Avg. Sales per Store	No. of Stores	Sales	Avg. Sales per Store
		(000 omitted)	(000 omitted)		(000 omitted)	(000 omitted)		(000 omitted)	(000 omitted)		(000 omitted)	(000 omitted)
1902	1	$ 28	$ 28									
1903	1	63	63									
1904	2	94	47									
1905	2	97	48									
1906	2	127	63									
1907	2	166	83	1	$ 99	$ 99						
1908	4	218	54	2	169	84						
1909	6	310	51	4	398	99						
1910	14	662	47	6	752	125						
1911	22	1,183	54	9	1,083	120						
1912	34	2,051	60	12	1,361	113						
1913	48	2,636	54	16	2,000	125						
1914	71	3,560	50	20	2,565	128						
1915	86	4,825	56	23	3,061	133						
1916	127	8,415	66	25	3,659	146						
1917	177	14,880	83	30	4,510	150	18	$ 1,628	$ 90			
1918	197	21,336	108	32	6,029	185	19	2,328	122			
1919	197	28,778	146	33	7,941	240	19	2,642	139			
1920	297	42,822	144	38	10,192	267	19	2,941	154			
1921	312	46,641	149	45	12,728	282	19	3,657	192			
1922	371	49,035	132	54	15,382	284	22	4,321	196			
1923	475	62,188	130	60	20,625	343	23	5,416	235	8	$ 1,695	$212
1924	571	74,261	130	73	25,316	346	28	6,570	234	11	1,907	173
1925	676	91,062	134	77	30,411	394	37	8,536	230	13	2,695	207
1926	745	115,683	155	109	36,074	330	41	10,500	256	17	4,497	264
1927	892	151,959	170	158	43,743	276	55	12,882	234	22	6,477	294
1928	1026	176,698	172	221	55,690	252	81	17,259	211	35	10,292	294

TABLE 15. PROGRESS OF INDIVIDUAL CHAIN STORES—GROCERY STORES

	Kroger Grocery and Baking Co.			National Tea Company			Safeway Stores, Inc.			H. C. Bohack & Co., Inc.		
	No. of Stores	Sales	Avg. Sales per Store	No. of Stores	Sales	Avg. Sales per Store	No. of Stores	Sales	Avg. Sales per Store	No. of Stores	Sales	Avg. Sales per Store
		(000 omitted)	(000 omitted)		(000 omitted)	(000 omitted)		(000 omitted)	(000 omitted)		(000 omitted)	(000 omitted)
1917	440	$ 23,320	$53									
1918	554	25,851	45									
1919	712	34,603	48									
1920	903	50,705	56									
1921	993	44,851	45	261	$16,283	$62						
1922	1413	53,753	38	295	20,632	69	191	$ 12,468	$65	225	$15,317	$68
1923	1800	74,339	41	514	31,292	60	309	19,947	64	254	16,673	65
1924	2197	90,124	41	598	39,058	65	439	28,532	65	324	18,703	57
1925	2856	116,235	40	761	47,450	62	580	38,691	66	352	19,395	55
1926	3369	146,009	43	840	53,657	63	780	55,828	71	391	21,159	54
1927	3764	161,261	42	1237	58,801	47	916	76,836	84	417	24,733	59
1928	5558	207,372	37	1600	85,881	53	1979	103,303	52	460	26,168	56

At the present writing, 1929, it is believed that the number of chain grocery stores may be in excess of 75,000, or more than 20% of the total estimated number of grocery stores within the country. Chain grocery store sales are probably in excess of a third of all grocery sales through all channels.

TABLE 16. PROGRESS OF INDIVIDUAL CHAIN STORES—DRUG STORES

	OWL DRUG COMPANY			WALGREEN COMPANY		
	No. of Stores	Sales	Avg. Sales per Store	No. of Stores	Sales	Avg. Sales per Store
		(000 omitted)	(000 omitted)		(000 omitted)	(000 omitted)
1906	8	$ 856	$107			
1907						
1908	10	1,426	142			
1909						
1910	15	2,450	163			
1911						
1912	18	3,499	194			
1913						
1914	20	4,437	222			
1915						
1916	25	4,885	195	9	$ 270	$ 30
1917						
1918	30	7,104	236	14	600	42
1919	32	7,663	239			
1920	38	10,022	263	23	1,550	67
1921	43	10,708	249			
1922	44	11,025	250	29	2,473	85
1923	47	11,925	251			
1924	87	16,317	187	48	5,586	115
1925				67	9,319	138
1926	95	17,069	179	96	13,494	140
1927				135	20,889	154
1928	104	18,085	173	230	31,389	136

Chain grocery trade in various large cities throughout the country has been estimated to amount to 40%, 50%, 60%, and even as high as 75% of the total grocery trade in those communities. There are marked differences in the growth of the chain grocery business in different American cities. Some communities are apparently much more susceptible to chain development than others. In general, chain store progress has been greatest in the larger cities and their suburbs. Chain store development is now definitely toward smaller and smaller

cities, but the proportions of the total grocery trade enjoyed by chain stores in the smaller communities is undoubtedly still very much lower than in the larger cities.

There has likewise been a rapid development during recent years among chain stores handling meats, fruits, and vegetables. Many grocery chains have added meats, fruits, and vegetables to their previous lines. New chains have been established. These fields of retail distribution, however, are still

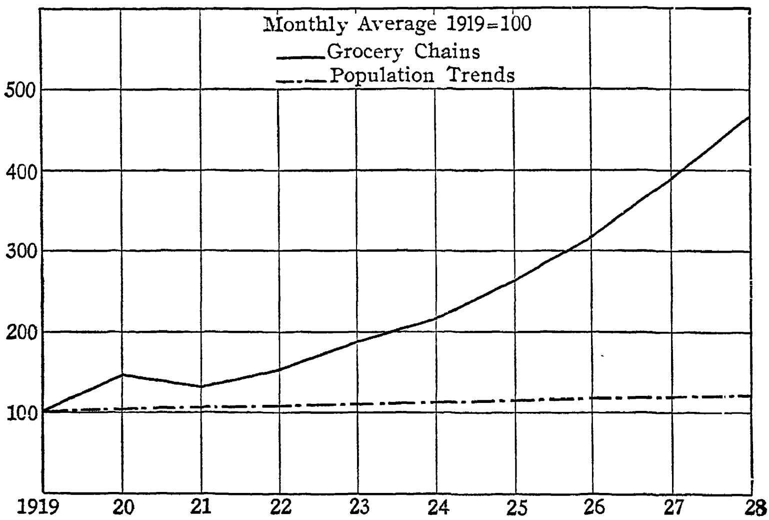

Figure 52. Grocery Chain Store Sales Trends

From statistics compiled by the Federal Reserve Board. (*Survey of Current Business*, February, 1929.)

largely in the hands of small independent stores. There is a strong belief current that the trend of both chains and of independent stores is away from small shops toward food department stores or markets, selling all kinds of foods under the same roof.

There has been an exceedingly rapid development both in number of chains and in number of retail stores handling 5 and 10 cent goods, variety goods, and limited lines of dry goods and merchandise such as sold in department stores. Bax-

ter's estimates of the number of such stores is believed to be too conservative. Other estimates set the number of stores in these groups as high as 14,000 units, and estimate that the total volume transacted, as of 1928, was not less than $2,500,000,000.

It is especially interesting to note that there is a general progressive trend within these chain systems and others that are rapidly coming into existence, toward handling fashion

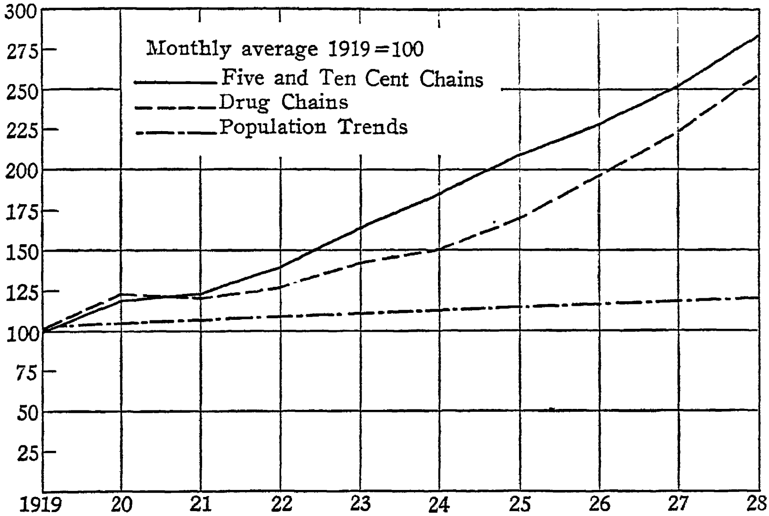

Figure 53. Five and Ten Cent Chain and Drug Chain Store Sales Trends

From statistics compiled by the Federal Reserve Board. (*Survey of Current Business*, February, 1929.)

goods, formerly believed to be ~~too difficult for~~ chain operation. Judging from the success of some of the leaders in this line, it may be presumed that a marked growth is yet to occur in this field. Within the lines of goods, such as handled in the 5 and 10 cent to $1 stores, it may be safely assumed that chain stores now have upwards of 75% of the total volume in this country.

In view of the large number of shoe chains and retail store units in those chains, together with the statistics obtained from

the distribution census taken in 11 cities in 1927, it is probable that nearly 30% of all shoe stores are chain stores, and that more than 50% of all sales of shoes are made through shoe chains.

Chains of drug stores are likewise growing very rapidly. At the close of 1928, there were more than 500 chains with over 4,000 retail stores throughout the United States. These

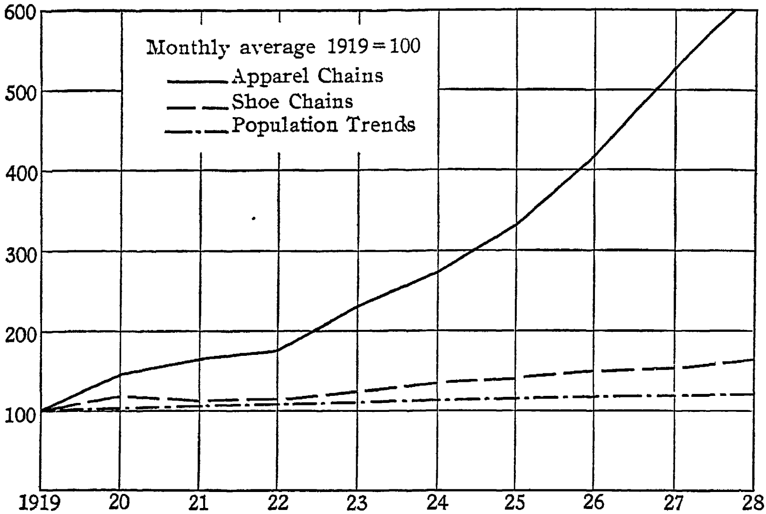

Figure 54. Apparel and Shoe Chain Store Sales Trends

From statistics compiled by the Federal Reserve Board. (*Survey of Current Business*, February, 1929.)

chain systems, it was estimated, made up less than 10% of the total number of drug stores throughout the country but enjoyed a volume of $250,000,000, constituting at least 20% of the total retail sales made by drug stores.

The chain store business in the men's apparel and furnishings field has had a widespread growth through the development of many small chains rather than such large outstanding institutions as found in the grocery, 5 and 10 cent, and drug fields. At the close of 1928, it was estimated that there were over 320 chains with more than 3,750 stores, making up

about 12% or 13% of the total number of retail stores in these lines, and having a sales volume of $547,000,000 or about 15% of the estimated total sales of all retail stores in this field. The largest and most powerful chains in this field include Richman Bros., of Cleveland, with 34 stores and sales amounting to about $20,000,000; Browning, King & Company, with 32 stores and a sales volume estimated at $15,000,000; and Fash-

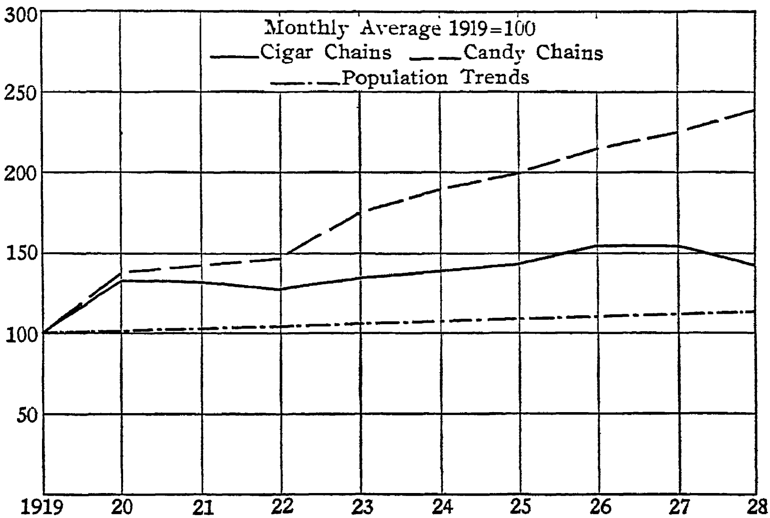

Figure 55. Cigar and Candy Chain Store Sales Trends

From statistics compiled by the Federal Reserve Board. (*Survey of Current Business*, February, 1929.)

ion Park Associates with 24 stores and sales estimated at $15,000,000. Other chains in this field with 20 or more stores include Trivers of New York, 48 stores; Lubow Bros. of New York, 37 stores; Lubow American Woolen Clothing Stores, also of New York, 30 stores; Wolf Bros. of Kansas City, 48 stores; Wohlmuth Company of Baltimore, 60 stores; Royal Tailors of Chicago, 20 stores; P. & Q. shops, 35 stores; the Kibler Company of Cleveland, 26 shops, the Leuthold stores of St. Paul, 31 stores.

Classification of Chain Stores by Ownership.—In addition to the great variety of chain stores considered from the standpoint of lines of merchandise handled, there are also a number of kinds of chain stores according to their ownership and the specific purposes to be served. An enumeration and brief description of chains classified by ownership follows:

1. **Retail Chain Stores.**—Under this title are included all chain store organizations that are privately owned, either by individuals, by partnerships or by corporations, and that are without affiliations or domination from other industries or interests. The sole purpose of the retail chain is to make a success in the retail business. Any other business interest of such concerns, if existent at all, is subsidiary to the objects of retailing. This is the conventional form of chain store organization generally referred to in the discussions in this book and elsewhere.

2. **Wholesalers' Chain Stores.**—This class includes chain store organizations owned and operated by or for the interests of wholesale concerns. Such chains have come into existence in various ways. In many cases, wholesalers have been forced to assume the ownership of retail stores to save themselves from losses due to the impending failures of the retail store owners. There are undoubtedly many retail stores virtually owned by wholesale houses and which are supported in the hope that the nominal owners may be able to regain a grip on their businesses and make them profitable. It is also probable that many wholesalers who own retail stores of this character would be glad to get rid of them if a purchaser could be found willing to take them over at a price covering the costs to the wholesaler.

The rapid development of chain store systems and consequent growth of purchasing from manufacturers directly, on the one hand, and the growth of group or cooperative buying by independent stores, on the other, has cut down the potential markets of wholesalers enormously. With the continued growth

of both chain stores and of group buying of independents, in prospect the future outlook for the wholesaler as an independent wholesaler serving independent retail stores, is not bright. To insure themselves of a probable future business, there has developed a decided trend among wholesalers in many lines to go directly into the chain store business themselves.

In some cases, these efforts of wholesalers to provide assured retail outlets for themselves have taken the form of contract relationships with independent retailers who, for various considerations, agree to tie themselves to the wholesaler. This method calls for no additional capital on the part of the wholesaler, but does involve the expense of establishing operating plans to keep the retailers tied in this system. The methods of so-called voluntary chains organized by wholesalers will be described in a later chapter. Paralleling the development of wholesaler-retailer voluntary groups, such as just described, there is also a rapid growth of chain systems actually owned and operated by wholesalers.

A wholesaler who undertakes to conduct a chain of owned retail stores usually faces serious problems with his regular independent retail customers. As the owner of a chain, the wholesaler becomes either an actual or a potential competitor of his customers, who in turn are likely to transfer their business to other wholesalers. Therefore, when a wholesaler establishes a chain, he faces the contingency of losing his regular business and of having to become a chain store organization outright. The establishment of contractual arrangements with retailers does not apparently arouse such resentment among customers, and the danger of losing their trade is not so imminent as in the case of actual acquisition by ownership of retail stores.

Some wholesalers have apparently succeeded in holding their regular independent store customers even after acquiring retail stores of their own. This has been possible, however, through the fact that such wholesalers have been able to sup-

ply merchandise and services of such character not easily obtained by retail customers elsewhere or by means of agreement made with their customers to limit their chain store activities to localities in which there can be no competition with those customers. Another argument effectively used by wholesalers owning retail stores is that by such ownership, competition between these stores owned by the wholesaler and independent store customers may be confined to reasonable bounds. An independent retailer may in some cases prefer the competition of a wholesaler-owned store to the competition of a vigorous aggressive retail chain store organization out to get all the retail trade possible.

The adaptations now being made by wholesalers to meet the changing conditions of retail trade constitute some of the outstanding features in present-day business. In addition to forming contractual associations with retailers and establishing big chain store systems of their own, the wholesalers themselves are combining into gigantic nation-wide chain organizations. In addition to the advantages of organization and the greater ease enjoyed by such large organizations in securing capital, there are other advantages urged for national wholesaler chains, such as the possibilities of supplying exclusive national outlets for manufacturer's products and the possibilities of using national advertising to promote the sales of products of their own. A large wholesaler group with advantageously located wholesale units, together with retail stores, either owned or controlled by contract, makes a splendid distributing machine for manufactured products. The possibility of effecting a sale to such an organization may mean national distribution at one stroke. The manufacturer is saved all of the trouble and expense of maintaining a sales organization traveling in all parts of the country. The wholesaler chain, on the other hand, in urging this advantage, is in position to demand and to receive the lowest prices that it may be possible for the manufacturers to make.

3. **Manufacturers' Chain Stores.**—There are a number of manufacturers' chain store systems. Among the lines of goods represented in such systems one may find several brands of shoes, confectionery, hats, gasoline, sewing machines, automobiles, gloves, sporting goods, phonographs, office furniture, bakery goods, tobacco products, and so on. Some of these goods could probably be marketed just as readily through regular retail stores. Some of them are marketed through manufacturers' chains because of dissatisfaction with the conditions of marketing found in the regular channels. Manufacturers have, in some instances, established their own chains as a result of unsuccessful efforts to meet the problems of price maintenance, of securing proper outlets, and adequate stocks and service at the points of retail sale.

In most cases manufacturers who have established chain store systems have done so to insure the provision of the expert demonstrating and sales ability and other services necessary to the sale of their products. For example, it is not probable that sewing machines could have been sold nearly so successfully and so widely through regular retail stores as they have been sold through the special agencies and manufacturers' retail stores. Sewing machine selling has called for a certain amount of technical ability as well as concentration of effort which ordinary stores have not been prepared to give. As a consequence, the big sewing machine companies have generally sold their product through their own stores or branches. The Singer Sewing Machine Company has over 1,800 such branches in the United States, and approximately 6,000 altogether around the world.

It is not probable that many manufacturers would attempt to conduct their own retail distributive systems if not forced to do so by a condition such as already mentioned. The retail business is very different from the manufacturing business. Only rarely are the qualities of management found highly suc-

cessful in manufacturing equally successful in running retail establishments or, for that matter, vice versa. Furthermore, a manufacturer going into a chain store system finds that it takes a great deal of additional capital. As a matter of fact, the financing of the marketing of a product usually requires two or three times as much capital as its manufacturing. The management of a chain involves grave problems. There are constantly a great many possibilities of waste and of loss. The actual net profits are in most retail businesses quite narrow. In spite of these drawbacks, some of the manufacturers' chains are the best examples of present-day efficient chain store management. It seems altogether probable that many more such organizations will be established in the future.

4. **Department Store Chains.**—There are a number of organizations consisting of several department stores which, in methods of operation, differ sufficiently from the conventional, regular chain store systems to merit separate classification. Among these may be mentioned, the Associated Dry Goods Corporation, the Mercantile Stores, Inc., the National Department Stores, the May Company, Gimbel Bros., Marshall Field & Company, City Stores, Inc., Kresge Department Stores, R. H. Macy & Company, the Hahn Department Stores, and several others. These great organizations are centrally owned and centrally controlled from a financial standpoint, but differ from the regular retail chain in that most of the operations such as merchandising, advertising, display, and sales promotion, are carried on individually and independently by each store. Each has its complete organization of executives, including buyers, advertising and display men, and each of these executives is held responsible for the results of his department independently of what is accomplished by the group. Central action, when it does take place, in merchandising, sales promotion, or any allied activities, is usually the result of cooperation among the executives of the various stores rather than the

result of central executive decisions made and carried out as in a regular chain store system.

Beginnings have been made in the direction of standardizing operations and central control in some of these department store chains. Experiments are being conducted at the present time by several of these chains in central buying. E. A. Filene, president of Wm. Filene Sons Company of Boston, has, for a number of years, urged the advantage and the inevitability of chain methods of operation in department stores or, as he has expressed it, of "chains of department stores made up of chains of departments within the department stores."

Department stores find it very difficult to make the departure from individual, independent methods of operation of departments under the direction of buyers or department managers to central control. The problems of meeting local consumer demand, of devising systems of stock control suited to the varied lines handled by department stores, and of supervision of the large staffs of people employed in the many departments of department stores, are so great that there is much hesitancy in trying to make the change. Department store executives who have grown up in systems of individual department operation and control and who have made their successes through these methods find it especially difficult to change to pure chain store methods of operation. It is certain, however, that such changes are under way in the department store chains, but they are made very gradually and are made only under the urgency of great necessities. E. A. Filene's description of the future department store is likely to materialize, but in the meantime revolutions must take place both in present department store operating methods and in the viewpoints of present department store executives.

5. **Mail Order House Chains.**—In a preceding chapter, the development of the mail order business and its methods of operation have been traced. Attention may again be called to

the fact that the larger mail order houses have rapidly become great chain store systems. The limitations of the mail order method in the retail business and the ambitions of the owners of these large mail order houses to secure continued growth have undoubtedly been the underlying causes leading to the organization of chain stores. Among the mail order houses with chain store systems are Sears, Roebuck & Company, Montgomery Ward & Company, the Larkin Company, and the National Bellas Hess Company. These are the four largest mail order houses in the country. Some of the smaller mail order concerns have likewise undertaken the establishment of chain stores.

Retail stores started by the mail order concerns include both large and small stores. Both Sears, Roebuck & Company and Montgomery Ward & Company have established large department stores in the larger cities, and both have established smaller stores dealing in more limited lines of goods in smaller communities. The growth of these chain stores owned by the mail order houses is so varied and so rapid that any discussion attempted here will be certain to be out of date even before this book reaches the hands of the reader. It may be presumed from such facts as are known as to the plans of these concerns that, within a few years, they expect to take their place among the largest chain store organizations in the country.

6. Leased Department Chains.—One of the remarkable fields of recent chain store growth has been the rapid spread of systems of leased departments within retail stores. Leased departments are, of course, not recent developments, but chains of leased departments seem to be quite modern. A great number of leased departments are managed by individuals, but there is also a considerable percentage conducted on the chain basis.

Leased department chains have reached the greatest development in millinery. The opinion has been expressed in a report on "Department Leasing in Retail Stores," that in

cities of from 35,000 population and up, fully one-half of the millinery sold is distributed through leased departments conducted by chains which are known in the millinery trade as "syndicates." Beauty parlors and barber shops come second, shoe departments third, followed by candy departments, optical departments, pattern departments, restaurants, and luncheonettes. Chain or syndicate operation of leased departments possesses most of the advantages of chain store operation including large buying power, standardization on a few price lines, unit control of merchandise, and so on. The independent retail merchant with a small millinery department is likely to have difficulty if competing with the syndicates on values offered to the public. It is the belief of some observers that chain or syndicate development of leased departments has nearly reached its peak in this country; the trend toward mergers of entire stores into chains or voluntary groups now occupies the center of the stage. Whether chain store systems will sublet departments to other chains to the extent that similar subletting has been carried on by independent retailers, cannot at present be foreseen.

7. **Retailers' Cooperative Chains.**—In a later chapter on cooperation among retailers, a detailed description will be made of the various methods of organization and of operation of retailers' cooperative activities. In the true cooperative organization, each individual unit voluntarily merges its operations with those of the group. Various grades and degrees of cooperation may exist. When completely organized, a cooperative group of retail stores becomes in every sense a chain store organization, differing in no respect from any other chain store organization except that its ownership rests in the individual stores making up the group.

In a regular private chain store system organized as a corporation, the ownership is usually in the hands of a few people or in the hands of investors. The power of control coming

from such ownership is highly centralized. In the cooperatively owned chain system the power coming from ownership flows to a central headquarters from the individual store units. A chain store system in which each unit store manager is a stock holder in the company, in a sense, approximates a cooperative chain. The true cooperative, however, goes a step further and gives to each unit store owner an equality of footing with all other members.

A great many organizations of retailers' cooperatives have recently come into existence. It has been estimated that there are more than 60,000 retail grocers in such groups.

Several thousand druggists are members of cooperative mutual drug companies, as they are called in the drug trade. There is active cooperation among many hardware dealers, stationers, confectioners, bakers, and there are very few live dry goods and apparel stores, independently owned, which are not members of some sort of a cooperative group. The chief aim in the development of this type of organization has been to combat chain store competition. A great many other values, however, have been gained by such groups.

8. Consumers' Cooperative Chains.—Whenever consumers' cooperative chain store organizations reach the point where several store units owned by consumers are combined for purposes of maintaining a wholesale organization, it virtually becomes a chain store system, but in this case owned by the customers of the retail stores. A description and discussion of the consumers' cooperative movement will be found in another chapter.

Elements of Chain Store Progress: 1. Convenience of Location.—Nearly all chain store organizations place the highest emphasis on proper location. The chain store owner attempts by every scientific means to place his store at locations most convenient for the public. The department store consolidates several lines of merchandise under one roof. The chain

store specializes in its lines and decentralizes the location of its departments. Instead of asking the people to come to it, it goes to the people.

Chains are often ready and willing to pay more for the best locations than independent store owners, but if they do, it may be presumed that this is only because they are able to get more out of them than do independent store owners. Students of agriculture have long noticed that in the long run the best farm lands gradually get into the hands of the best farmers, those who know how to get the most out of them and are, therefore, willing to pay the highest prices for such land. There is undoubtedly a similar principle in retail locations. The best locations tend to become the property of the most successful merchants. It takes more than the average managing ability to get the most out of a 100% location.

2. **Suitable Building and Store.**—In the provision of a satisfactory trading place, chains have probably introduced few new ideas, but as a rule they carry out the well-recognized requirements most thoroughly. The typical successful chain store unit is bright, clean, sanitary, well-lighted, well-ventilated, orderly, and attractive. It is provided with easy entrances, and appropriate fixtures. One of the chief criticisms of most of the older-fashioned individual stores was their failure to give proper attention to these details.

3. **Expert Management.**—Expert, executive management has been recognized as an imperative need of chain store organizations since their beginning. It is also possible for a chain store organization, particularly a large concern, to afford the employment of the services of the best trained and most experienced executives available. Consequently, in their advertising, accounting, personnel work, merchandising, and other functions, chain stores draw upon the best ability that money can command. Nearly all chain organizations use carefully devised methods of selection and training of new employees. What-

A District Supervisor's or Inspector's

Store No.
Name of Manager.
City.
Date.
Name of Inspector.
What time does store open?
When did manager and assistants arrive this morning?
Is store front kept clean?
Marble and tile washed?
Window glass clean?
Sidewalk swept?
Are girls' toilets and washrooms in good condition?
Is men's toilet kept clean?
Is rear yard free from rubbish?
Is furnace room kept clean?
Are store lights in good condition?
All lights bright?
Globes clean?
Are panels trimmed neatly?
Are wall-cases and counter cases neatly trimmed?
Glass clean?
Is floor in store free from rubbish and clean?

Stockroom

Is stockroom floor clean?
Is merchandise unpacked same day as received?
Are stock bins kept clean?
Are lines of merchandise properly departmentized in bins?
Is there an undue amount of broken or rewrapped packages?
Do checked invoices go down to office daily?
Attach separate list of overstocks.
Condition of candy room?

Understocks

Are understocks behind counters large?
Neatly kept?
Give list of counters where understocks are poor.

Windows

Are windows neatly trimmed?
Neatly signed?
Properly priced?
Give list of merchandise display in each window.

Store in General

Is merchandise properly priced?
Are 100% items given proper display?
Are all lines properly and neatly displayed?
Are unseasonable lines of any kind on display?
Are signs throughout store neat?
Are lines of merchandise properly departmentized?
Attach separate list of items store is out of.

Personnel

Are salesgirls treated with courtesy and consideration?
Do you observe dissatisfaction among the girls?
Do all salesgirls belong to their Efficiency Club?
Is Efficiency Club properly managed and promoted?
Are assistant managers up to standard?
Does manager allow assistants to read office correspondence concerning merchandise?
When has manager or assistant last lectured girls?

Office

Does store balance contain full amount of cash?
Are general office requests for information answered promptly?
Are season sheets kept up-to-date?
Are all check invoices sent to office promptly?
Is list book up-to-date?
Is copy of order file clear of copies for merchandise already received?
Are shippers shipping this store promptly?
Attach separate list of copies of orders long overdue.

Candy

Do items consist of 100% numbers in season?
Is understock absolutely neat and clean?
Are signs in good condition?
Are items properly priced?
Do candy girls make good appearance?
Are proper items used for throw-out displays?
Attach separate list of items counter is out of.

Sheet Music and Music Rolls

Is the counter out of 100% numbers in sheets or rolls?
Condition of sheet music on counter?
Condition of piano?
Attach separate list of sheet music and rolls not selling.
Is understock kept in good condition?
Are feature number signs up-to-date?
Is present girl regular girl of this department?
Is regular girl competent for this department?

Record Department

Attach separate list of numbers this department is out of.
Appearance of understock?
Are numbers arranged in consecutive numerical order on counter?
Condition of victrola?
Are feature signs up-to-date?
Is present girl the regular girl of this department?
Is regular girl proper girl for this department?
Is stock of needles complete?
General Remarks:

Figure 56. Details Considered in Chain Store Management—Used by Neisner

Form of Individual Store Report

FOUNTAIN DEPARTMENT

Cafeteria

Date.
Possible Points, 385.
Points Scored.

Luncheonette

Date.
Possible Points, 230.
Points Scored.

Root Beer Dept.

Date.
Possible Points, 240.
Points Scored.

15 Appearance of department attractive and clean?
10 Equipment in good condition?
5 Hood clean with proper signs?
5 Counter back bar—mirrors clean?
5 Steamer and broiler in good condition?
5 Gas burners properly regulated?
10 Frankfurters, hamburg of good quality?
10 Coffee urn and all nickel-plated fixtures polished daily?
5 Urn crock sterilized daily, faucets not leaking?
10 Grease traps and all sewer outlets clean? Drain pipe solvent used weekly?
5 Rolls and bread of proper size and quality, fresh daily?
5 Ice boxes clean? No odor should be noticeable.
5 Silverware, chinaware, glassware of regulation size and quality, not chipped or cracked. Clean?
5 Steins washed out daily, three times, with soap and water.
5 Is floor scrubbed out with soap and hot water daily?
5 Is syrup tank cleaned? Every two months?
5 Water tank cleaned semi-weekly?
10 Carbonator oiled, greased, protected from water?
5 Current and gas tank shut off every night?
5 Reserve supplies marked code cost price? Ample supply on hand?
10 Stockroom clean?
15 Is kitchen clean—well arranged—shelves—floor clean?
Equipment in good condition?
5 Garbage cans clean and good appearance? Scrubbed with lye occasionally?
5 Used dishes and steins removed promptly?
5 Sufficient signs clean and appropriate?
5 Is root beer properly mixed? 6–7½ oz. of liquid?
10 Are soda dispensers neat, clean, good personal appearance, and in clean uniform?
5 Properly trained?
10 Customers served promptly with politeness and courtesy?
5 Is money collected and registered when service is completed?
5 Coffee properly brewed with boiling water and not too weak?
2 or 2½ gallons of water to a pound of coffee about right.
5 Cream for coffee used for coffee undiluted? Not less than 18% butter fat.
5 Coffee bag removed 20 minutes after coffee has been made?
15 Insect roach powder used twice a week?

LUNCHEONETTE

15 Syrup percolator in good condition? Cleaned every 2 months?
15 Crushed fruit and syrup jars clean and in good condition?
10 Draft arms—syrup pumps—properly regulated?
25 Quality of food and drinks up to Neisner's standards?
15 Plumbing in good condition? Faucets not leaking?
50 Salads, sandwiches—hot and cold dishes all prepared and displayed?
Proper portions?
25 Syrups and crushed fruit of proper consistency?
50 Soda water cooling boxes—iced daily and cleaned weekly?
10 Steam table clean? Water changed daily?
15 Ice cream properly frozen?

CAFETERIA

25 Special lunches well advertised?
25 Menus unsoiled? Well placed? Prices O.K.?
15 Variety of baked goods, cooked meats of high quality? Well displayed?
25 Is refrigerator system well taken care of?
10 Ice boxes clean?
50 Exhaust fans—motors—machinery—in good condition? Oiled and greased every Thursday?
50 Ranges, hoods—bakery, ovens cleaned daily?
50 Ceiling, walls, electric fixtures clean?
10 Dressing room clean?
25 Cooks—bakers—kitchen help—in clean uniform, good personal appearance?
100 Is department being operated with minimum shrinkage and making average gross and net per cent?
Department in charge?
Any prospective managers in training?
Have recommended any change?
General qualifications of Department managers?
Remarks:

Bros., Inc., 5 cents to $1 Stores. (From *Chain Store Age*, June, 1929.)

ever there may be of value in specialization and division of labor as applied to retailing, may be found in one form or another in chain store organizations.

4. **Limited Services.**—Many of the most successful chains, particularly among those first established, have forged ahead on a basis of limited service, such as cash and carry instead of credit and delivery. The savings in expenses from the elimination of charge accounts and delivery services have generally been converted into lower retail prices. These savings have proved more attractive to multitudes of consumers than the services so eliminated, so that much trade has been drawn from the stores operated on the charge account and delivery basis to the cash and carry stores.

The cash and carry policy, followed by so many chain stores, is apparently not so much of an innovation as a result of retail evolution. In none of the older countries has consumer credit been so liberally extended as in the United States. In most of the European countries, the percentage of cash business to total retail business is much higher than in the United States. The wide use of charge accounts and the extension of long terms of credit seem to be characteristic of primitive or frontier conditions and of newer countries only.

In the early retail development in the United States, long credits became customary in all parts of the country. For several decades, long credits were very necessary. Long-term credits running for six months or even a year are still customary in certain sections, although, for a number of years there has been a strong trend toward more frequent settlements, as for example, on a monthly or semi-monthly basis.

In the competition of retailers for extension of their trade during the 1870's, 1880's, and 1890's, consumers were offered more and more liberal credit privileges, with the result that the credit business grew to important proportions and there also developed extensive abuses, including large losses due to bad

EXTRACT FROM STORE SURVEY TABULATION

Each line of data, horizontally from the left, represents a store unit, identifying numbers being intentionally deleted.

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	BB
	A	A	A	A	B	B	B	X	Y	Y	A	B	Y	A	A	C	1	a	A	-	B	B	a	-	-	C	C
	B	A	A	Y	A	A	B	A	Y	Y	A	B	Y	A	B	A	2	B	B	-	a	b	a	A	A	B	B
	A	A	A	Y	A	A	A	A	Y	Y	A	A	Y	A	A	A	2	A	A	A	A	A	A	-	-	A	A
	A	A	A	X	B	B	A	B	Y	Y	A	B	Y	A	A	B	3	A	A	A	A	A	A	A	A	A	A
	B	B	C	N	C	B	B	B	Y	X	B	B	Y	B	B	A	2	X	X	A	a	a	a	-	-	X	X
	A	A	A	Y	A	B	A	B	Y	Y	B	C	Y	A	B	A	1	X	X	A	A	A	A	-	-	B	C
	X	A	A	Y	A	A	B	A	Y	Y	A	A	Y	A	A	A	1	A	A	A	X	X	-	A	A	B	B
	B	A	A	Y	A	A	A	A	Y	Y	A	A	Y	A	A	A	1	B	A	A	X	X	X	A	A	A	A
	A	A	A	Y	A	A	A	A	Y	Y	A	A	Y	A	A	A	1	A	A	A	X	X	-	X	X	X	X
	A	A	A	Y	B	B	A	A	Y	Y	A	A	Y	A	A	A	1	A	A	A	A	A	A	-	-	A	A
	A	A	A	Y	A	A	B	A	Y	Y	A	A	Y	A	A	A	1	A	A	A	A	A	A	A	A	A	A
	A	B	A	Y	B	B	C	B	Y	Y	A	B	Y	A	A	A	1	A	A	A	A	A	A	-	-	-	-
	A	A	A	Y	B	B	B	A	Y	X	B	B	Y	A	A	B	1	B	B	B	A	A	A	A	A	C	C
	A	B	C	N	C	C	B	C	Y	Y	B	C	B	B	B	B	1	X	X	-	A	A	A	A	A	B	B
	A	A	A	Y	A	B	A	B	Y	Y	B	B	N	A	A	B	1	A	A	A	A	A	A	-	-	A	B
	A	A	A	Y	A	A	A	A	Y	Y	A	A	Y	A	A	A	1	X	X	A	A	A	A	-	-	A	A
	A	A	A	Y	A	A	A	A	Y	Y	B	B	Y	C	C	B	1	X	X	C	X	X	X	-	-	A	A
	A	A	A	Y	A	B	B	A	Y	Y	A	B	Y	A	A	A	1	X	X	X	A	A	A	-	-	X	X
	B	A	B	Y	B	A	A	A	Y	Y	A	A	Y	A	A	A	1	B	A	A	A	A	A	A	A	A	B
	A	B	A	Y	B	A	A	A	Y	Y	A	A	Y	A	A	A	1	A	A	A	B	B	B	-	-	-	-
	A	B	A	Y	A	A	A	A	Y	Y	A	A	Y	A	A	A	7	A	A	A	B	B	B	B	A	A	A
	A	A	X	-	A	A	A	A	Y	Y	X	A	Y	A	B	B	1	A	A	A	A	A	A	-	-	B	A
	A	A	A	Y	A	A	A	A	Y	Y	B	A	Y	A	A	A	1	A	A	A	A	A	A	-	-	A	A
	A	A	A	Y	A	B	A	B	Y	Y	A	A	Y	A	A	B	2	A	A	A	A	A	A	A	A	A	A
	A	A	A	Y	A	A	A	A	Y	Y	A	B	Y	A	A	A	1	A	A	A	A	A	A	-	-	B	A
	A	A	B	Y	A	A	A	A	Y	Y	A	A	Y	A	A	A	-	-	-	A	A	A	A	-	-	B	B
	A	B	A	Y	B	B	A	A	Y	Y	A	B	Y	A	A	C	2	A	A	A	B	B	B	-	-	X	X
	A	A	A	Y	A	B	A	A	Y	Y	A	A	Y	A	A	A	1	A	A	A	A	A	A	-	-	X	X
	A	A	A	B	A	B	A	A	Y	Y	A	A	Y	A	A	A	1	X	X	A	A	B	A	-	-	A	A
	A	A	A	Y	A	A	A	A	Y	Y	A	A	Y	A	A	A	1	A	A	A	A	A	A	X	X	X	[X

KEY OF REFERENCE LETTERS USED IN STORE SURVEY TABULATIONS

Column	A	Store Number and Classification	
"	B	Rating of Location	X—Could be improved
"	C	Exterior Appearance	
"	D	Effectiveness of Window Display	X—Could be improved
"	E	Utilization of Window Space	X—Could be improved
"	F	General Attractiveness of Store	
"	G	General Appearance of Interior	
"	H	Appearance of Store Fixtures	
"	I	Effectiveness of Merchandise Display	X—Could be improved
"	J	Price Tags Properly Placed	X—Varies
"	K	Prices Uniform with other Almar Stores	X—No comments
"	L	Cleanliness of Store	X—Could be improved
"	M	Merchandise Appeal to Eye	X—Could be improved
"	N	Stock Placed Systematically	X—Could be improved
"	O	Manager's Characteristics—Rating	X—Average
"	P	Manager's Personality—Rating	X—Average
"	Q	Manager's Appearance—Rating	X—Average
"	R	Number of Clerks—Rating	
"	S	Appearance of Clerks—Rating	X—Average
"	T	Personality of Clerks—Rating	X—Average
"	U	Selling Ability of Store Personnel—Rating	X—Could be better
"	V	Competitive Stores—Effect of Window Display	X—Varies
"	W	Competitive Stores—General Attractiveness	X—Varies
"	X	Competitive Stores—Attractiveness of Mdse. Display	
"	Y	Condition of Meats	X—Could be better
"	Z	Rating of Meat Display	X—Could be better
"	AA	Conditions of Fruit and Vegetables	X—Could be better
"	BB	Rating of Fruit and Vegetable Display	X—Could be better

Ratings: A—Good. B—Fair. C—Poor. Columns E, J, K, N, Y.—Yes. N—No.

Figure 57. A Tabulated Summary of Chain Store Reports Covering 30 Store Units—Such as Used by Almar Stores Co., Philadelphia. (From *Chain Store Age*, May, 1929.)

accounts. The costs of conducting a business with such liberal credit privileges also rose in proportion. There appear to have been at all times retailers who sold for cash only, but a real expansion of the cash business followed the general overexpansion of the credit business. Here and there, retailers seized upon the opportunity to save the charge account expense and to convert this saving into lower retail prices. The savings proved attractive to the public, or at least to large sections of the public. Chains which came into existence during this period were quick to sense the trend, grasp this policy, and carry it into effect.

In recent years, chain stores have been established offering almost every conceivable variation in retail service. There are some chains that offer delivery service, others that offer charge account privileges. Chain business is not now dependent upon limited forms of service. In fact there are some chains whose entire business is the sale of service such as hotels, theatres, laundries, shoe repair shops, garages, etc. The important fact is that certain proportions of the public prefer limited service, or at least the savings that may be effected in retail prices as a result of limited services. Others prefer full service and are willing to pay the difference in costs to secure it. When the cash and carry business reaches the point of maximum application, then the development of chains beyond that point is certain to be in the field of service retailing.

5. Specialization in Goods Handled.—Most chain stores specialize in the goods they handle, not only in handling but a few, well-selected lines of merchandise, but also in attempting to have and to offer for sale only those items that sell most readily. They attempt doing in retail distribution what Henry Ford did in automobile manufacturing. They fix upon that which most people want and then concentrate upon that. Slower-selling lines, goods offering smaller profit-making prospects, and merchandise in which losses are likely to occur, such

as perishables, are usually left out and allowed to go to the other competing stores of the community. This specialization in lines handled is more significant in chain store success than has commonly been understood.

It is obviously impossible for a retail store to attempt to carry everything that consumers might ask for. The variety of goods now produced and offered for sale is much too wide for any retail store to handle all of them. Furthermore, consumers' wants, whims, and desires vary from day to day and from person to person. Most wants, however, tend to group themselves around a relatively small number of items of goods. The most successful chains give unceasing study to consumers' wants and attempt to carry only such goods as meet a high average of the wants of average people. Consequently, chain store stocks are proverbially light as compared in number of items with the stocks carried by independent stores. A chain grocery store ordinarily has but 800 to 1,200 items, while most independent stores carry from 1,500 up to 2,000, or even more items. On the other hand, the chain's merchandising policy secures active selling and turnover on practically all goods carried, while half or more of the goods carried in stores that do not follow consumer demand quite so closely are inactive. The capital tied up in such goods is wasted, and the chances of final loss are very great. The chains have apparently not been so highly successful in fashion goods as they have been in staples, but progress is being made in these lines also. It is not impossible, it is now known, to chart the trends of fashion and to predetermine customers' wants even in these lines. Chains are as likely to succeed in merchandising fashion goods as other dealers after they have learned how to check the movements of fashion. There are already many successful beginnings.

Finally, most chains specialize in merchandise at a few prices known to be popular and let the demand for goods at all

other in-between prices go to individual stores or other competitors.

6. Chain Store Expenses.—Definite, conclusive evidence of a comparative nature as to whether chain stores are able to perform the functions of distribution from producers to consumers more economically than other types of distributing institutions, is not available. Statements have frequently been made urging that chain stores have lower operating expenses than other types of distributors, and detailed figures have even been presented to substantiate these statements. On examination of such facts, however, it has usually been found that the figures offered for comparison are not comparable. Chain stores that offer a more limited service than independent stores may, of course, have lower operating expenses to the extent of the costs of performing these services. Similarly, a chain store that handles non-perishable staples does not have as high operating expenses as a store that carries a full line of perishables as well. Comparing the operating expenses of a cash and carry grocery store handling a limited line of non-perishable groceries with the operating expenses of a retail institution granting credit, making frequent deliveries, and handling a wide variety of foods, both staple and perishable, would be unfair. Comparisons of figures are meaningless unless the figures represent the same things. Operating expenses vary widely in accordance with services performed and also for various kinds of merchandise handled. Comparisons of operating costs of chain stores with other types of retailing institutions must continue to be largely valueless until these factors are given proper consideration. It may be safely presumed, however, that chain store operating expenses do represent a high level of efficiency.

7. Lower Prices to the Public.—One of the most important factors in the rapid and successful growth of chain store systems in this country has been the fact that the prices have been

lower than in other types of retail institutions. Whether chain store prices are always lower than in independently owned stores may be questioned. Whether, in cases where chain store prices are lower, the difference may be due to differences in operating expenses, in profits, or in lower prices paid for the goods because of greater buying power, are matters for further study and comparison. That chain store prices have been and are lower on a great many items may be safely assumed. The growing patronage of the public among chain stores proves that there must be price advantages.

8. **Buying Power.**—One of the greatest factors of the success of the chain is its buying power. The quantity taken and the ready cash resources command every advantage and every discount afforded by the market.

There is scarcely a line in which quantity does not in some way control price. This applies not only in the purchase of merchandise for resale but also in the purchase of supplies of all kinds and of store equipment. The opportunity to turn merchandise promptly into cash is exceedingly attractive to most producers and suppliers.

Long-term purchase contracts often made by the chains make it possible for producers to concentrate on economical production, to make timely purchases of raw materials, control investments in inventories, establish standard production methods, and carry on operations during dull seasons. Such production programs make lower prices possible both to the distributor and to consumers.

Chain stores that work on a large-scale basis with producers over a considerable period of time may also indicate desirable changes in the merchandise, such as improving the quality for the same price as well as producing the same quality at lower costs.

Large chain store systems commonly assume a considerable part of the functions of wholesaling and of brokerage, in lines

where brokers exist, and in the assumption of these functions they command the prices and conditions of purchase enjoyed by the trade factors. Chain stores that assume wholesaling functions must bear some of the operating expenses of wholesaling, but are able to make some savings over the expenses of regular wholesaling institutions.

The larger chain systems in some lines are able to buy larger quantities and secure better prices than even the wholesalers of such lines. While chains patronize wholesalers on lines in which service is needed and quantities are not large, it is also known that wholesalers sometimes buy from chain stores rather than direct from manufacturers.

Chain Store Sources of Supplies. It is commonly believed that chain stores make all of their purchases direct from producers. This is only true in part. The larger chains do buy direct, but great numbers of chains of all sizes are also large purchasers from wholesalers and other middlemen. There are, apparently, very few of the smaller chains which do not use wholesaler resources extensively. It would indeed have been very difficult for the chain stores to attain their early success and growth had it not been for the opportunity to place their patronage with wholesalers. Buying direct varies with the lines and the customs of the trade. Generally speaking, it begins to be an important method of getting goods when the chain has reached a size permitting it to purchase in sufficient quantities to make the direct contact profitable. Even if possible, it usually does not pay to maintain a direct contact if the quantities purchased are small. Chain stores, in common with all other retail stores, vary in capacity for handling the various commodities carried. Large quantities of some goods and very small quantities of others is the rule. Purchases made direct begin in most cases on those commodities in which the volume is greatest, and purchases from wholesalers continue on smaller volume items long thereafter, even in the largest chains.

In not a few chain store organizations it has been found preferable to utilize wholesale concerns and their warehousing and delivery facilities rather than to establish warehouses of their own. The experience and skill of the wholesaler in warehousing, when his services are available to the chain store on a favorable financial basis, make it profitable for the chain to use these services.

Warehousing constitutes one of the difficult problems of chain store management. Some chains undertake warehousing for their unit stores in much the same way as wholesalers perform this function for their retail customers. Others, as indicated above, maintain connection with wholesalers who perform the warehousing and shipping functions. Others go as far as they can in arranging with producers to make shipments direct to the chain retail stores. The trend toward drop shipments has been increasing for a number of years. Numerous chains that formerly maintained warehouses have either closed them up or reduced their size in favor of arrangements made with manufacturers to ship direct to the stores. The extra handling in warehousing, it is felt, is an economic waste which adds to the operating expenses.

Manufacturing by Chains. Most of the larger chains have private brands and trade names of their own. Some of them push these brands actively, while others allow their branded goods to take an even chance with other competing goods carried in stock. Privately branded goods are often made for the chains by outside manufacturers by contract. When, as is sometimes the case, the chain is financially and organically connected with a manufacturing concern, the brands produced by the factory are, of course, more intensively pushed.

Manufacturing is widely carried on in certain lines by the larger chains. In the grocery field, baking and coffee-roasting plants are adjuncts of most of the larger chains. Some of them also manufacture chocolate, candy, flavoring extracts, and so

on. One or two of the largest concerns own salmon canneries, milk condenseries, meat, fruit, and vegetable packing plants.

Published statements of chain store executives indicate a wide difference of opinion as to the soundness and expediency of embarking into wide-scale manufacturing programs. The statements of some of such executives indicate that they look forward to a continued and increased development of chain-owned factories, while in other cases, equally competent executives are opposed to taking on any manufacturing interests. Present conditions in the manufacturing industries, so they urge, make it more desirable for the distributor to buy finished products than to try to make them as well as sell them. If and when manufacturing industries become more stable and secure, some control over the present unregulated elements that result in frequent overproductions, it may well be that the big chain stores will then become important manufacturers as well.

Where it is not possible to secure a continuous flow of goods at reasonable prices, chains may and often do go a step farther and establish their own factories.

9. **Publicity and Sales Promotion.**—In the earlier days of chain store development much, if not most, of the emphasis of sales promotion was placed upon price. Cutting under regular or established retail prices as a means of attracting attention and drawing trade was common. Loss leaders were, and still are, extensively used as a means of securing trade. Formerly, some of the chain organizations supplemented their cut-price arguments by the use of trading stamps, premium plans, and other schemes to attract trade. There appears to be less of this practice now.

There are indications that the chain store emphasis placed upon prices is changing if not declining. Chain stores, in common with other retail institutions, are trying to secure a profit on all goods sold instead of selling some at less than operating costs. Loss leaders attract trade, but the trade is often confined

to the leaders, and the opportunities sought to recoup the losses on such goods by selling other goods upon which larger margins were obtainable are not always realized. The use of loss leaders is, after all, but a trick method of getting trade. It is not scientific merchandising. Considerable internal opposition to the use of loss leaders has developed in recent years among several chains. It has been frequently remarked among those following price maintenance controversies that breaks or cuts in suggested resale prices during recent years have been more frequently made by independent stores than by either chain stores or department stores. Many chains no longer use nationally advertised branded goods as leaders.

It must not be assumed, however, that price appeal has been dropped by chain stores. Price has always been and is now a highly important factor in consumer purchase and, therefore, must always be a matter for consideration in sales promotion. What is apparently happening, however, is that many chains no longer urge price and price only as the basis for drawing consumer trade. Quality, style, completeness of stocks, and even service are securing more attention.

10. **Chain Store Securities as Investments.**—Probably one of the most important causes of public interest in chains during the last ten years was the discovery, made by bankers and by the general investing public, that chain store securities offered exceptionally desirable qualities. A chain store organization, with its capital investments spread widely over many units, is secure against great catastrophic losses such as sometimes wipe out single institutions. It is secure against losses due to bad local business conditions. Its operations and methods have been standardized to the point that their future may be predicted. From the standpoint of the investor, a chain store security is somewhat like shares of ownership in an investment trust whose properties are equally widely spread.

In addition to the safety of capital afforded by the wide

distribution of risks in chain organizations, the profit-making possibilities of retail chain stores, at least during the last ten or twenty years, have been remarkable. In some concerns, the net profits have been extraordinarily high. For a number of years, the F. W. Woolworth Company's net income has averaged more than 10% of its sales. Similar earnings have been made by the S. S. Kresge Company, S. H. Kress & Company, and McCrory Stores Corporation. Many other chain store organizations have realized from 5% to 10% on their sales. The net profits in the chain grocery trade have not been so high in proportion to sales, but because of the high rates of turnover, the returns on the capital invested have been excellent. Even a net profit of 2% on sales, which is considered low in the chain store industry, becomes 20% on the capital invested in a business that enjoys 10 turnovers per year.

Whether chain stores may continue indefinitely to earn the handsome profits obtained during recent years, it appears certain that chain store securities will continue high in public favor. They now occupy a position of first eminence in the stock markets of the country, a position held some years ago by the choicest classes of gilt-edge railroad securities.

Problems in Chain Store Administration.—Despite the rapid growth and great success of chain stores in this and other countries, there are certain inherent difficulties in chain store administration that will bear enumeration and brief examination.

1. **Inflexibility.**—The chain store system with its standardized methods of operations and success, is often somewhat inflexible in meeting peculiar local needs. Some chain store executives profess an interest in mass demand and a lack of interest in consumer demand that is individual. Most chain stores, as already indicated, aim to carry the merchandise wanted by the largest groups of people. Items of occasional or

individual demand are passed over. This policy makes it possible for the chain store to operate on low inventories, secure rapid turnover, and keep expenses of operation down, but it does not adequately cover all of the needs of consumers. While there are indications that consumers' wants have been undergoing considerable standardization, one may not be sure but that with increasing incomes and rising standards of living this trend may change and a wider, rather than a more limited, variety of goods may be wanted. Chain stores, to continue their growth, must provide some degree of flexibility to meet the requirements of the individual clientele of their stores.

2. **Employee Problems.**—Chain store organizations are completely dependent upon the efficiency of their employees. The incentive to see the store succeed is probably never so specific nor so effective among average chain store managers and other employees as among owners of independent businesses. The lack of the incentive of ownership among chain store employees is to some extent compensated by carefully devised systems of remuneration, together with intensive inspection and supervision. The chain store, at its average, undoubtedly secures higher working efficiency than poorly operated independent stores, but it surely does not secure the devotion that the best-operated, individual stores command.

Not only is there lack of initiative among many chain store employees, but there is also constantly the hazard of dishonesty and graft. Even the thoroughgoing system of making the chain store manager absolutely responsible for every value placed within the store provokes dishonesty. Merchandise is usually consigned to the store manager, who must account for every item either in cash or inventory. Any shortage, no matter what its cause, means a loss out of the manager's pocket. In spite of the best of care, such losses do occur. There is a temptation of managers to recoup such losses by overcharges, short weights, short changing, or other methods of dishonesty to the store's

customers. Such practices, if not checked, must result in completely undermining the goodwill of the system.

Unionization of retail store employees has never been an important factor in this country. However, there are unions and, if, at any time in the future, conditions of retail store employment should become more standardized than they have been in the past, it might be safely presumed that such unions would grow and also that chain stores would very likely be the field in which such unions would exert heaviest pressure. Every objection ever raised against the introduction of labor-saving machinery, is apparently being raised in these times against the chains for their efforts to reduce labor requirements and costs.

3. **Objections to Chains.**—The chain store has its enemies. First of all, there are the retail dealers who are hurt by chain store competition. Back of these dealers so hit are the small-town newspapers patronized by those dealers, the bankers who see their retail accounts dwindling as chain stores grow, local real estate men who are eliminated from participation in handling chain store properties, local insurance men who obtain no share whatsoever in the placing of insurance on chain store properties, local painters, sheet metal workers, plumbers, and fixture men, who are not employed by chain store concerns on the establishment of new stores. Chambers of commerce seeking community development have difficulty in getting the co-operation of chain stores on their projects. Even preachers and priests have usually found that they could count on but little financial help for their religious projects from chain store units in their communities.

There is a certain amount of antagonism toward chain stores among trade union people who look upon the chain store system as a cause of throwing more people out of employment and thereby swelling the ranks of workers in other lines, and who look with disfavor upon the extension of the wage system

on a large scale to the management of retail stores, formerly the stronghold of small owners.

Some individuals and groups, interested in the betterment of economic conditions among farmers, are unfavorable to chain stores. The large chain grocery stores, in their opinion, tend to depress prices of farm products. The experiences of the farm cooperative groups, interested in the marketing of fruits, vegetables, and other products, with chain stores, have in some cases led them to the obvious conclusion that chain store buyers are out to get farmers' products at the lowest possible prices regardless of costs of production. This does not accord with the farm view of price making.

Objections to chain stores also arise from manufacturers who fail to work out satisfactory relationships with chain stores, from wholesalers who find their business declining because of the growth of chain stores, and from traveling salesmen who have little or no place in the system of chain store distribution.

The size of the chain store systems attracts the attention and challenges the questions of the public as to where the chain store movement is going to lead. The rapid growth of the chains is indeed rather terrifying to anxious but conservative people.

Absentee ownership is urged against the chains. To be sure, the chain store must employ local help, pay rent, taxes, and meet other expenses locally, but the profits of the business are sent to the headquarters of the concern instead of going into local investments or other channels helpful to the community. The justification for the chain in answer to this argument is that if the public purchases its goods more cheaply through the chain than elsewhere, then the savings in the pockets of the consumers do more good for the community than any accumulation of profits in the pockets of retailers.

One of the most troublesome problems that the chain store

has to face is the continual complaint that it does not enter into local community movements and participate in the development of community interests. Broadminded chain store executives are giving much thought to this problem and are attempting to overcome it, so far as possible, by urging their local managers to become identified with local movements, the chambers of commerce, the churches, and other organizations. The chain has, to be sure, a very real stake in the community in which its store is located. Its business can scarcely be successful if the community itself is not successful. This is true in spite of the fact, as pointed out by those opposing chains, that the interest of the chain in a single store or a single community can never be so great as the interest of the individual merchants whose entire fortune is at stake in the community.

One phase of this problem is the difficulty of making contributions to local charities and other worthy movements. The church, charity, or chamber of commerce, intent on securing funds for some worthy cause, is likely to look upon the chain store as a prospective contributor in proportion to the published volume and profits of the entire chain rather than as a local unit. Even though the local manager may contribute what might be fair in comparison with other local institutions, his contribution is likely to be considered insignificant because of the size of his organization. Much education must take place to secure a proper appreciation of chain store executives toward community problems and a proper public appreciation of the widespread responsibilities of chain stores to their respective communities.

4. **Anti-Chain Legislation.**—Another type of difficulty encountered by the chain is the adverse legislation intended to control or prevent the growth of chain organizations. There is scarcely a single state in the country in which efforts have not been made to pass laws which, if enforced, would have put many, if not most, of the chain stores out of existence. Anti-

chain store legislation has actually been passed in several states, but when tested in the courts has, so far, been found unconstitutional. While the chains have won their cases, they have been put to much trouble and expense to maintain their proper legal positions.

Chain store legislation has usually aimed to curb chains by one or more of the following methods:

1. A progressive tax on the number of stores owned by one concern. If such laws had been sustained, chain organizations with more than five stores would have been subjected to very high business taxes.

2. A progressive tax on individual company sales volume. This method would have hit the big department stores as well as the chains.

3. Attempts to redefine or alter present legislation on combinations in restraint of trade or on unfair competition in such a way as to make them apply to chain methods of doing business.

In 1928, the Federal Trade Commission was ordered by a Congressional resolution to make a comprehensive study of the chain store development, with a view to determining whether in this development there might be monopolistic elements or conditions of unfair competition.

It may be presumed that efforts to secure anti-chain store legislation will continue as long as chain stores continue to grow. The test of constitutionality, however, has been applied in so many different cases that new grounds for the restriction of chains will have to be devised to insure chances of interesting the public or the courts.

5. Competition with Independent Stores.—The more successful department stores have, so far, been able to hold their own against the competition of chain stores, in spite of the fact that almost every department store is more or less surrounded by chain stores handling competitive goods. The small inde-

pendent stores are the ones who have felt chain store competition most keenly.

It should be noted in passing, however, that the existence of chain stores, even when carrying lines of merchandise which may at first thought be considered competitive, are not always such. An analysis of the merchandise handled by chain stores usually shows a large number of items of qualities and at prices which are not handled by either department stores or specialty shops. In the many efforts that have been made both by consumers and by jobbers to compare values in chain stores and independent stores, it has been a matter of real difficulty to collect a representative number of items which, in uses and in quality, are either exactly or even approximately the same.

It is a matter worthy of specific attention that the chain stores, particularly in the 5 and 10 cents to $1 field, have introduced many goods in sizes and qualities which, for the most part, were not available before the advent of these stores. Because of the difference in qualities of these newer classes of goods, their prices are different as well. These goods have opened up new markets which independent stores and department stores might envy but which they would probably not have obtained, even if the chains had not arrived.

6. Competition of Chain Stores with Chains.—Chain store systems, throughout all of their earlier years, were unhampered by the competition of other chains. Their efforts to secure trade were made against department stores and small stores, and to a slight extent, the mail order houses. The point has now been reached, however, in many of the larger communities in which chain grocery stores, chain drug stores, chain 5 and 10 cent stores, chain shoe stores, and others, have begun to meet the sharp competition of other chains in the same lines, transacting business in the same way, offering similar merchandise at similar prices. The competition of the average successful chain with small independent retailers has been

child's play compared to the competition now developing with other chains. This new competition not only centers on such customary matters as prices, qualities, and services to the public, but also in intense efforts to secure the best locations, to build finer buildings, install more attractive equipment, and to undertake competitive sales promotion. It has been currently stated, both by independent retailers and by real estate men, that the competition among chains for the so-called "100% locations" in the larger cities has reached a point of bidding at which independents have been almost entirely eliminated and at which the chains themselves find it very difficult to make profits. The keenly competitive bidding for choice locations has resulted in real estate values for such locations rising manyfold. This competition for locations, in buildings and equipment, constitutes one of the most difficult problems that chain stores executives must meet.

Heavier advertising is also another consequence of this new competition. In recent years, chain store operators have become heavy newspaper advertisers, and in a few instances large users of space in national magazines. Among the latter are the Great Atlantic & Pacific Tea Company, the J. C. Penney Company, F. W. Woolworth Company, Piggly Wiggly, and Drug, Inc. With the coming of the mail order house chains, Sears, Roebuck & Company, Montgomery Ward & Company, and National Bellas Hess Company, who have always been heavy advertisers in one form or another, it may be presumed that advertising will be even more extensively used by all classes of chains than it has been in the past.

7. **Rising Costs.**—All of these competitive developments in the chain store field point rather surely to gradually increasing operating expenses. While immediate efforts in chain store operation are likely to be directed to the consolidation of the present status and the standardization of present operating costs, it is fairly certain that chain store operation will in the

future cost more rather than less. Thus any advantages in operating costs that chain stores now may possess over older methods of distribution of goods may, if not properly safeguarded, be sacrificed in the coming competitive struggles.

One of the methods of preventing ruinous competition among chains is through healthy trade association work. The active interests shown by the leading chains in the establishment of the National Chain Store Association in 1928, indicates a degree of openmindedness on the part of its executives toward the common problems of the industry that speaks well for the future of the relations of the chains. Although the expressed purposes of the National Chain Store Association at the time of its formation aimed mainly at other problems, it is reasonable to assume that the cultivation of friendly relations among its members may tend to prevent ruinous trade practices in the future.

A second method of preventing competitive waste among chains is the consolidation or merger of the competitive groups. This method has already been widely applied. The elimination of wasteful market methods is certainly one of the objects hoped for in some of the combinations that have already been formed. Following such consolidations, extensive programs of economy have been carried into effect, many competitive features eliminated, and non-profit-making stores closed up. The movement toward greater and greater consolidations of retail chains is likely to continue as long as permitted to do so by the public. The promises made by the promoters of such consolidations to secure greatly increased economies and greater profits may not always materialize, but at least these moves are in the direction of the elimination of competitive waste.

The question may perhaps be raised as to whether the point may some day be reached when the age-old controversy over the relative merits of free competition versus combination and market control, may not have to be fought out in the chain store field. The traditional public attitude opposing combina-

tions and favoring open competition must be reckoned with. In spite of the present, favorable, or non-committal position of present governments, both state and national, this may not always continue. "Trust busting" may again become the popular, political fashion as it was back in the days of the 1890's and 1900's. Whether it does or not depends largely upon the intelligence shown by the present generation of chain store executives and chain store promoters in handling public relations. Ruthlessness and mismanagement of public opinion may easily turn the tide against the chains, and sweep in a régime of public control and regulation like that now exercised in the public utilities field.

In the meantime, while the broad economic processes are working out, it is to be hoped that so much information may be systematically and authoritatively secured as to prove once and for all what the practical and profitable limits of competition and of combination may be not only from the standpoint of private business but also from the standpoint of the public.

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CHAPTER IX

CONSUMERS' COOPERATIVE RETAIL STORES

The essential difference between a consumers' cooperative retail store and all other types of retail stores is in the fact that the consumers' cooperative establishment is owned, controlled, and managed by the customers of the store instead of by individual business men, partnerships, or corporations. Obviously, consumers' cooperation may be and is applied to a great many varieties of retail establishments. There are more consumers' cooperatives in the grocery and meat lines than any other, but there are also numerous dry goods, apparel, farmers' supplies, fuel and lumber, ice, and many other varieties of establishments.

Buying Clubs.—One of the simplest forms of consumers' cooperation of which there are many samples in the United States is the buying club. This is merely a group of consumers who pool their purchases through some one person, member, or office, with the object of securing the merchandise desired at a lower price. In some cases, the goods are distributed either directly to the members of the club or are delivered to the person acting as purchasing agent who, in turn, distributes them to the other members. Such consumer buying clubs are often established more or less spontaneously for the purpose of making single purchases; in other cases, they are organized for continuous operation.

A variation of the consumers' buying club is an organization created for the purpose of securing discounts on purchases made from regular retail stores. "The Association of Army and Navy Stores, Inc.," the "World War Veterans' Purchasing

Clubs," and various "employee cooperative associations" are illustrations of this type of club used to secure lower retail prices.

The Association of Army and Navy Stores, Inc., is an organization that serves officers and men in the United States Army and Navy and other branches of service, including ex-service men and nurses. It claims a membership of over 300,000, and lists over 3,400 retail stores that have agreed to give discounts to its members through the club headquarters.

The method of securing discounts is usually:

1. To build up an organization of enrolled members. A fee is required from each member to help meet the expenses of issuing member lists and announcements and to take care of correspondence and other promotion matter.

2. The list of members is taken to retail stores, shown to the managers, and requests made for special discounts off regular retail sales prices. Retailers are often induced to grant these requests on the ground that doing so may give them increased sales with new customers not already served by the store. In any case if the first retail store fails to accept the proposal, it is more than likely that some competitor will pick it up and gain some volume thereby. The discount granted usually ranges from 5% to 15%, averaging about 10%.

To avoid complications and undue publicity on these special arrangements, members of these buying clubs are usually advised to make their purchases at the regular prices. The sales slips obtained at the times of purchase are then sent to the headquarters of the buying club, which in turn collects the discounts or rebates from the stores and sends the proper amount of discount to the customer.

Some buying clubs make arrangements with wholesalers and manufacturers for purchases by their members at wholesale prices.

It is impossible to estimate the volume of business done

through these buying clubs. Their number seems to be increasing, and the total volume of retail business transacted in this way is probably gaining.

Miscellaneous Forms of Cooperative Retail Establishments.—There are consumers' cooperatives that are veritable department stores. There are consumers' cooperative specialty shops. Consumers' cooperation has been applied to the ownership and management of mail order houses, and there are a number of chain store systems that are cooperatively owned by consumers. There are even instances of house-to-house distribution, partaking of the nature of peddling, owned and operated by the consumers themselves.

Objects of Consumers' Cooperation.—The purposes of consumers' cooperatives include:

1. The attempt to cut the costs of distribution.

   a. By reducing the number of middlemen handling ordinary lines of merchandise on passing from producers to consumers.

   b. By eliminating unnecessary services that add nothing to the consumption value of goods.

   c. By reducing some of the costs of selling such as are expended by privately owned stores for advertising.

   d. By saving the profits of the middlemen for the consumers or customers of the establishment.

2. The provision of honest weights and measures and of purity from adulteration. In the early days of the cooperative movement, this purpose was more important than it has come to be under modern conditions with modern public regulation and control in these matters.

3. A method of breaking up privately owned or controlled combinations, extorting unreasonable prices from or fixing unreasonable conditions of trading upon the public. The imminent possibility of arousing consumers to conduct their own dis-

tributive establishments may undoubtedly be a deterrent force upon powerful retail organizations that might otherwise exercise monopoly powers.

4. The education of consumers in democratic methods of management and on how to live together in organized communities. Many enthusiastic supporters of the consumers' cooperative movement urge that this object is more important than any other.

5. The promotion of fair and just relationships between buyers and sellers, employers and employees, by the elimination of exploitation and unfair practices in every form. The consumers' cooperative movement, so far as is known, is the only wide-scale business movement that has undertaken to conduct business on an ethical basis such as this. That there is not much to show for the consumers' cooperatives' efforts in the direction of this purpose is not to be wondered at. Consumers' cooperatives are everywhere in active competition with private businesses which are striving with might and main and almost solely for pecuniary benefit. Nor have consumers' cooperatives ever had a real opportunity to show what they could accomplish in the way of right business relationships since they have not yet, at least in this country, had a sufficient part of the retail business in any line to occupy a dominant attitude. According to students of the cooperative movement, the present tendency is to carry on business more and more in the same way as private business is carried on and to conform to the same standards.

History of the Movement.—The consumers' cooperatives, like most other forms of social organization found in this country, originated in Europe. Some of the earliest efforts to establish consumers' cooperative stores were made under the influence of the famous English industrialist and philanthropist, Robert Owen, during the period from 1820-1840. Probably some of the first cooperative societies were started

by fishermen and laborers at Brighton in 1827. The primary object of these early consumer-owned enterprises was to cut the costs of living and ameliorate the conditions of living among poor people. Merchandise was sold at cost. Business methods such as now followed by consumers' cooperatives were unknown.

The policy of selling goods at cost seems to have been one of the chief reasons for the failure of these stores. Due account was not taken of the various losses that are inherent in handling perishable goods. Each shop soon found itself drawing on its capital for the conduct of its business. Furthermore, selling goods at cost raised the ire and enmity of the regular retail dealers who everywhere united in undermining and destroying these early institutions.

The Owenite cooperative movement appeared in the United States as early as 1830. Consumer-owned retail stores were in that year established in Cincinnati and Philadelphia. In 1836, a national cooperative convention was held for the purpose of considering its possibilities for wide expansion.

Rochdale Pioneers.—In 1844, a small group of flannel weavers in Rochdale, England, organized a cooperative retail store on what was then a new and revolutionary basis. The Rochdale plan has since attracted world-wide attention and consideration, and has been very generally followed in all countries of the world.

The fundamental principles of the Rochdale plan of operation, as they were laid down by its originators and reinforced by the successful experience through the years following, are as follows:

1. Membership in a cooperative group may be secured by any consumer. Each member is expected to contribute a certain sum, generally a small amount, to the capital of the concern.

2. The organization is conducted on a democratic basis. Its officers are elected by the votes of the members.

3. Each member, regardless of the amount of capital contributed, has but one vote in the affairs of the organization.

4. Instead of selling at cost, consumer cooperatives organized under the Rochdale principle sell at regular market prices, and thereby obviate the extreme irritation of competing private retail businesses.

5. Cooperative stores under the Rochdale plan sell for cash only. In actual practice this has been found to be a difficult, if not impossible provision. Many cooperative stores in this country, otherwise conducted on the Rochdale plan, allow credit in limited amounts and for limited times to their members.

6. Profits when earned by the organization are divided among its members, not in proportion to capital contributed as in ordinary corporations but in proportion to purchases made during the preceding period.

7. An essential feature of the Rochdale plan of operation is the definite provision in its program for the education of its members and of the public in the principles of cooperation and in methods of conducting cooperative enterprises.

Consumers' Cooperation in the United States.—Following the early efforts made in Cincinnati and Philadelphia in 1830, organizations were next effected in the middle 1840's in New England. These were probably modeled on the Rochdale plan. The more important efforts to establish consumers' cooperatives in the years following developed as a part of other social movements. The Order of the Patrons of Husbandry, established in 1867, made consumers' cooperation in buying one of its cardinal principles. By 1875, consumers' purchasing was carried on in as many as 10,000 different branches. The movement enjoyed a whirlwind growth but was unable to stabilize itself, and many of the cooperative retail stores established as a part of this movement passed out of existence. A few of them, widely scattered over the United States, have weathered

all storms and are still continuing to function. During recent years, the Granges have enjoyed a renewal of growth, but consumers' cooperation is not now pressed as one of the essentials of this movement.

The Sovereigns of Industry, organized in 1874, opened retail cooperative stores throughout all the Atlantic Coast states, but most, if not all, of these institutions have passed out of existence.

Next, the cooperative idea was taken up by a labor organization, the Knights of Labor, organized in 1894. This association started a number of cooperative retail stores, but failure in its political programs led to the failure of the stores as well.

Throughout the 1890's, sporadic, individual efforts to organize consumers' cooperative stores occurred in various parts of the country. Some of these stores are still in existence, but most of them enjoyed only a brief career.

In 1900, a new organization was formed, the Right Relationship League, made up principally of farmers and small-town people in the Middle West who fostered and promoted the establishment of consumers' cooperative stores. It reached its peak with about 200 stores to its credit in 1915, but during the following period of participation of the United States in the World War, this organization declined. Some of its retail stores failed and many sold out. Others have continued on a cooperative basis.

Various other movements originated before the period of the World War, such as the Consumers' Alliance among the soft coal miners in central and southern Illinois beginning in 1910, the Finnish Cooperative movement in northern Michigan, Wisconsin, and Minnesota beginning in 1911, and the Farmers' Equity Society, at about the same time. All were, either directly or indirectly, instrumental in establishing many retail cooperative stores. In the period following the World War, and particularly in the business depression of 1920-1921,

consumers' cooperatives suffered greatly, but since then there has been a steady growth in the cooperative movement.

Present Extent of Consumers' Cooperation in the United States.—As stated in a study of cooperative movements in the United States made by Florence E. Parker of the United States Bureau of Labor Statistics for the year 1925, there were at that time over 2,000 cooperative retail societies with a membership of 527,900 and estimated sales of $179,739,800. According to this report, these consumers' cooperative societies were very widely scattered throughout the country, many of them isolated and out of touch with other cooperative groups.

Among the leading consumers' cooperative organizations in the United States at the present time the following may be mentioned:

The Franklin Cooperative Creamery Association of Minneapolis, Minnesota, is probably the largest consumers' cooperative organization in the country. Its sales in 1928 were in excess of $3,400,000. This organization at that date served about 40,000 customers, including homes, schools, shops, and stores, and its distribution included 165 market routes and 10 ice cream routes covering every section in Minneapolis and outlying districts. It had 415 employees, all of whom are stockholders in the association and, at the same time, members of some local trade union organization. The company carried group insurance amounting to $500 on each employee, with an increase of $100 for each additional year of service up to a maximum amount of $2,000. The Franklin Creamery ascribes its success to its close adherence to Rochdale principles and continuous educational work among its members.

The Cooperative Trading Company, Waukegan, Illinois, deals in groceries, meats, bakery products, and milk. Its sales amount to about $700,000 a year.

The Consumers' Cooperative Service of New York City owns and conducts 8 successful cafeterias and restaurants.

The Soo Cooperative Mercantile Association is the leading grocery organization of Sault Sainte Marie, Michigan. It runs a chain of 8 stores and has its own bakery. Its annual sales are in excess of $650,000 a year.

The Cloquet Cooperative Society of Cloquet, Minnesota, deals in foods and general merchandise. Its sales amount to $550,000 a year.

There are more than a score of cities in which bakeries are operated by consumers' cooperatives. There are nearly 30 cities in which restaurants are consumer-owned and operated, and 10 cities in which dairies are owned by consumers' cooperatives.

The movement for the establishment of cooperative wholesale societies has been rather slow in getting under way in the United States. This has been in part due to the slow development of retail stores, and in part to the fact that retail cooperative stores have been very widely scattered. At the close of 1928, ~~there~~ were cooperative wholesale societies in Seattle, Washington; Superior, Wisconsin; Omaha, Nebraska; and New York City.

There are more consumers' cooperative stores in the Middle Western states, including Kansas, Nebraska, Minnesota, Wisconsin, Iowa, Illinois, and North and South Dakota, both in actual numbers and in proportion to population, than in the other states of the Union. In passing, note may be taken that in the states in which the consumers' cooperative movement seems to be strongest, the chain store movement, based on number of chain stores in relation to population, is weakest. Whether there is any logical connection between these facts is not known.

The Cooperative League of the United States is an association that loosely unites the various cooperative associations of the country. The purpose of the League is primarily to promote public interest in consumers' cooperatives, teach sound methods of cooperative organization, and provide expert advice, including accounting service and auditing, for coopera-

TABLE 17. CONSUMERS' COOPERATIVE ORGANIZATION BY COUNTRIES

(From *Monthly Labor Review*, June, 1927.)

Country	Year	Number of Societies	Membership: Members	Membership: Average per Society	Per Cent Population Served by Cooperatives	Yearly Sales[1]: Amount	Yearly Sales[1]: Average per Society	Yearly Sales[1]: Average per Member	Share Capital: Total	Share Capital: Average per Member	Net Gain for Year
Argentina	1926	206	118,945	577	1	$ 145,108,145	$704,408	$1,220	$ 37,337,781	314	...
Australia	1924	118	86,116	730	6	25,801,253	218,655	300	...	...	...
Austria[2]	1925	127	360,000	2,838	...	(3)	...	...	...	...	...
Belgium[2]	1924	54	270,189	5,004	20	19,298,782	357,385	71	450,536	2	...
Canada[2]	1925	16	7,308	457	...	2,792,872	174,555	382	354,971	49	154,140
Czechoslovakia[2]	1925	785	759,635	968	...	48,029,034	61,183	63	509,420	1	4,164
Estonia[2]	1924	268	78,547	293	...	(4)	...	...	...	...	...
Finland	1925	565	379,518	672	40	59,169,598	104,725	156	...	...	...
France[2]	1926	2,543	567,933	223	30	25,518,205	10,035	45	...	...	...
Germany[2]	1925	1,110	3,382,011	3,218	20	146,652,830	139,536	43	4,759,312	1	...
Great Britain[2]	1925	1,289	4,910,983	3,810	45	886,527,373	687,764	181	413,189,512	84	81,426,086
Hungary[2]	1924	1,951	870,549	446	40	16,812,520	...	...	...	...	...
Japan	1924	7,396	(3)	...	...	64,605,932	8,735	...	...	...	...
Netherlands[2]	1925	232	146,241	630	10	(3)	...	...	...	...	...
Norway	1925	850	109,521	129	15	[2] 24,159,193	[2] 55,284	[2] 234	1,941,530	19	987,271
Poland	1925	[2] 1,300	[2] 906,500	697	...	(3)	...	...	...	...	...
Portugal[2]	1922	188	91,907	484	...	33,492	178	(5)	...	...	...
Russia	1926	27,438	11,401,708	416	30	3,553,500,000	129,510	312	...	...	...
Sweden[2]	1925	900	315,925	366	20	69,599,598	80,555	220	10,595,662	34	2,974,652
Switzerland	1925	521	352,250	676	35	53,248,652	102,205	151	1,925,788	5	3,095,564
Ukrania[2]	1925	6,571	1,597,000	246	...	219,456,435	33,757	137	...	...	...
United States	1925	1,703	[6] 527,900	310	2.5	[6] 179,739,800	105,543	354	6,871,230	68	1,608,699

[1] Converted into United States currency on basis of par value for Canada, Germany (23.8 cents), Netherlands (40.2 cents), Russia and Ukrania (51 5 cents), Sweden (26.8 cents), and Switzerland (19.3 cents); and on basis of average exchange rate for year for Argentina (92.15 cents), Australia ($4 829), Austria (14.06 cents), Belgium (4.63 cents), Czechoslovakia (2.96 cents), Finland (2.52 cents), France (3.27 cents), Great Britain ($4.829), Hungary (0.000014 cent), Japan (42.03 cents), Norway (17.89 cents), Poland (17.75 cents); and Portugal (6.85 cents).

[2] Figures apply only to societies affiliated to central cooperative organization or organizations.

[3] Data not available.

[4] Impossible to convert for lack of exchange rate; sales amounted to 2,423,144,000 Estonian marks.

[5] Less than 50 cents.

Estimated.

TABLE 18. COOPERATIVE WHOLESALE SOCIETIES

The following figures are taken from the International Cooperative Bulletin for November, 1926. They show for each how many retail societies are affiliated, and, in pounds sterling, just how much business each of these organizations has done in 1924 and 1925.

	No. of Affiliated Societies	1924	1925
Austria. Grosseinkaufsgesellschaft österr. Consumvereine	....	£1,983,191	£ 2,061,153
Belgium. Fédération des Sociétés Coopératives Belges	....	1,294,436	1,405,080
Czecho-Slovakia. Velkonakupni spolecnost konsumnich druzstev	358	3,664,714	3,363,289
Grosseinkaufsgesellschaft für Consumvereine	227	1,829,307	1,485,912
Denmark. Faellesforeningen for Danmarks Brugsforeninger	1,804	6,445,666	7,035,750
Estonia. Eesti Tarvitajateühisuste Keskühisus	277	684,623	802,118
Finland. Suomen Osuuskauppojen Keskuskunta	452	3,598,474	3,667,793
Osuustukkukauppa r.l.	112	3,127,231	3,435,602
France. Magasin de Gros des Cooperatives de France	1,533	4,494,502	3,517,989
Georgia. "Tsekavshiri," Tiflis	....	452,690	546,741
Germany. Grosseinkaufsgesellschaft deutscher Konsumvereine, Hamburg	894	8,208,824	11,262,066
"Gepag," C.W.S. of Imperial Union, Cologne	....	1,190,154	1,558,362
Great Britain. C.W.S. Manchester	1,171	72,888,064	76,585,764
S.C.W.S., Glasgow	265	17,307,707	17,659,069
Holland. "Handelskamer," Rotterdam	316	980,424	1,052,679
Hungary. "Hangya," Budapest	1,939	2,043,037	2,082,063
Grosseinkaufs-und Verwertungs-Aktiengesellschaft, Budapest	1,820	....	48,140
Japan. C.W.S., Tokyo	....	166,868	1,735,606
Latvia. Centrale Saveeniba "Konzums," Riga	382	1,090,067	1,328,572
Lithuania. Lietuvos Koperacijos Bendroviu Sajunga, Kaunas	....	....	190,196
Norway. Norges Kooperative Landsforening, Oslo	437	996,535	1,157,590
Poland. Zwiazek Spoldzielni Spozywcow, Warsaw	....	883,315	1,576,386
"Narodna Torhowla," Lemberg	....	110,179	107,810
Rumania. Centrala Cooperativelor de Productie si Consum, Bucarest	....	....	552,761
Russia. "Centrosoyus," Moscow	28,000	17,680,000	19,800,000
"Selskosoyus," Moscow	....	1,201,000	1,752,000
Scandinavia. Nordisk Andelsforbund, Copenhagen	....	870,761	815,348

TABLE 18. COOPERATIVE WHOLESALE SOCIETIES—*Continued*

	No. of Affiliated Societies	1924	1925
Sweden. Kooperativa Förbundet, Stockholm	900	5,049,610	5,443,143
Switzerland. Verband schweiz. Konsumvereine, Basle	517	5,107,200	5,026,131
"Konkordia," Zurich	. . .	284,593	250,021
Union of East Swiss Agricultural Societies, Winterthur	....	1,115,852	1,146,348
Ukraine. "Wukopspilka," Charkow	....	3,650,100	7,646,600
"Silsky Gospodar," Charkow	....	1,944,000	900,500
United States of America. Central Cooperative Exchange, Superior	65	139,367	171,920
Nebraska Farmers' Union Exchange	....	....	1,521,312
Grange Cooperative Wholesale	35	....	102,677

tives already in existence. It issues a number of pamphlets dealing with the subject of consumers' cooperation, and a monthly bulletin entitled "Cooperation." Its headquarters are in New York.

There is an organization of consumers' cooperative societies in the northwestern states called the Northern States Cooperative League, with headquarters at Minneapolis. This league was organized in 1921, and includes in its membership 41 local societies. It holds annual conferences of an educational nature at various towns in the Middle West.

Consumers' Cooperation More Important Abroad.—According to the most recent estimates available for 35 countries, consumers' cooperation in retail distribution has a combined membership of 27,000,000 representing a population of over 100,000,000 people and total yearly sales in excess of $5,500,000,000. Table 17, page 280, shows a list of 22 countries, the number of retail consumers' societies in each, total membership, yearly sales, total amount of share capital, and net gain for the last year for which reports are available. From this table it may be seen that there are more people interested in the

cooperative movement in Russia than in any other country. Great Britain comes second, Germany third, Ukrania fourth, and Poland fifth. Recent news items indicate growing cooperative movements in Spain and Portugal, in India and even in China.

There are national organizations of cooperative societies and wholesale societies in at least 24 countries. (See Table 18, page 281.) The largest and most powerful consumers' cooperative wholesale organizations are the Cooperative Wholesale Society of Great Britain, the Scottish Cooperative Wholesale Society, and the Russian organization known as Centrosoyus. The power of the British Wholesale Society may be seen from the fact that it is the largest single manufacturer, trader, and land-owner in the United Kingdom.

The consumers' movement in European countries, as well as in the United States, met with serious reverses in the post-war depression period. These reverses were generally due to economic conditions, as in Great Britain and Germany, but in part to political conditions, as in Italy. The Italian Cooperative Movement was unfortunate in having been allied with the Socialist political movement. With the assumption of power and control by the Fascisti, the consumers' movement, in common with socialism, passed into decline.

Public Sympathy for Cooperative Movements.—The organization of a consumers' cooperative movement has been highly endorsed by a wide variety of interests and organizations in this country, including several trade unions and the American Federation of Labor, by the Republican, Democratic, and Socialist political parties in their platforms and by various farmers' organizations. The movement has had the active interest, if not the effective support, of the Federal Government through the Department of Agriculture, and of similar branches of many of the state governments. In attempting to outline methods of improvement of economic conditions, special

reformers generally urge the establishment of consumers' cooperation. It may be suspected that the idea of consumers' cooperation has sometimes been used by tired politicians, harassed by battling interests, as a means of relieving political pressure. Cooperation is something that cannot be secured by law. It is dependent upon the efforts of the cooperators themselves. It may be presumed that such suggestions are often made with neither hope nor real desire that anything may come of them.

Consumers' cooperatives have received considerable legislative encouragement in the form of laws making it easy to establish cooperative societies, and, in some cases, freedom from fees and taxes such as are assessed against ordinary private corporations. In some countries, cooperative societies are entirely tax-exempt.

Organization of a Consumers' Cooperative Store.— Beyond the propaganda stage comes the work of establishing the institution. After the preliminary educational work has been done, a membership roll and subscription list is usually set up. When a sufficient number of members have been secured, an election is held for the purpose of designating officers and a board of directors to undertake the work of starting and managing the store.

Cooperative societies are, in some instances, organized as corporations under regular corporation laws and in other cases as mutual aid associations. Concerns, such as retail stores, requiring considerable capital, are almost invariably organized as stock corporations. Membership in the stock corporation is obtained by the purchase of a share or shares of stock. Special arrangements are made to maintain the "one member, one vote" provision, either by limiting stock-ownership and requiring each member to contribute the same amount of capital and own the same number of capital shares, or by issue of two kinds of capital stock, but with the voting privilege on only

one of these. Each member is required to purchase one share of the voting stock and may buy but one share, but may buy as many shares of the non-voting capital stock as he may desire, these shares serving merely to indicate amounts of investment and rights to receive interest or profits thereon.

An important consideration in the ownership of stock in a private corporation is the right to vote and to share in the profits in proportion to stockholdings. In consumers' cooperative organizations, there is not only a limitation of the right to vote but also usually a limitation on the rates of dividends. The amounts paid out in dividends are often made equivalent to the current rates of interest. Though called dividends, such payments are really interest for the use of the money invested in the business. Distribution of surpluses, when they occur, therefore consists of payments of limited dividends to the stockholders in proportion to their stockholdings, and whatever is left over is distributed to the customer members of the store in proportion to their purchases.

Following the usual organization of a stock corporation, consumers' cooperatives' shareholders elect officers and a board of directors for the purpose of carrying on the work of the society. There are usually several special committees, such as an organization committee responsible for employing a store manager and supervising the appointment and management of the assistants of the manager; a purchasing committee responsible for the control of all purchases, with the exception of small amounts which the manager may be permitted to handle without consent of the committee; a finance committee responsible for the control of the money advanced by the membership and its proper use in the operation of the institution; and, finally, an education and publicity committee whose duty it is to expand the membership and keep its present members deeply and continuously interested in the store and in the cooperative movement.

Under these committees come the employees hired to do

the work of the store including a store manager directly responsible to the cooperative organization and such assistants as may be needed, whose duties are designated and activities controlled by the store manager.

The democratic organization of a consumers' cooperative society permits every member to function, at least in the designation of the members of the board of directors and the corporation's officers. The committee system provides for the participation of many of the members of every society in actual supervision of the work of the store. Usually, these committees, it may be said, take their duties very seriously and spend a great deal of time in posting themselves on the activities of the store and in discussing the policies and methods of operation. Despite the functional advantages offered by this system of organization for its members, one of the dangers is that the manager may be required to attend so many committee meetings that much of his time will be used up in making and delivering reports and thereby hinder him from giving effective supervision and work to the store itself.

Cooperative Store Expenses.—Compilations of expenses of doing business through consumers' cooperative stores have been published in a number of places. The best compilation may be found in the report of Florence E. Parker on the "Cooperative Movement in the United States in 1925."[1] According to this report, expenses in general merchandise stores range from 6% up to 25% of sales. In grocery stores the range is from 4% to 29%, and in grocery and meat stores from 11% to 27% of sales. These wide variations are not to be interpreted as due to differences in efficiency of operation; they are more likely due to differences in kinds of merchandise handled and services rendered. If this assumption is correct, the ranges of expenses found in consumers' cooperative stores are very similar to the ranges in expenses found in privately owned and

[1] Cooperative Movement in the United States in 1925, Bureau of Labor Statistics, No. 437, 1927.

managed retail stores handling the same kinds of goods and rendering the same services.

There appears to be very little difference in the costs of doing business between cooperatives and privately owned concerns. Labor costs are about the same. Differences in other items, when they occur, are probably due to differences in services rendered.

Causes of Failures in Consumer Cooperative Stores.—While consumers' cooperation has enjoyed and is now enjoying a considerable growth in this country, it seems fair to state that its rate of growth has scarcely been proportionate to the amount of promotion and encouragement it has received, and certainly not to the rate of growth of general business. The movement, wherever it has been established, has been characterized by a high failure rate. The retail business generally suffers a rapid change in business management. A considerable proportion of retailers in every line fall out every year, to be followed by others who keep up the high total number of retail stores in existence. Any statement of the high failure rate found among consumers' cooperative stores needs to be considered in relation to the high failure and mortality rate found among all types of retail stores. On this basis, consumer cooperatives do not make such a bad showing, although the indications are that the failure rate among consumers' cooperative stores is somewhat higher than among privately owned stores. The reasons for the causes of failure of consumer cooperatives have received careful attention. Table 19 presents the causes of failure as reported by 154 consumer societies in which each cause named is either a sole or contributing cause.

In addition to the causes of failure enumerated in Table 19, there are, particularly in America, other reasons for the difficulties of consumer cooperation. Economic opportunity has generally been better here than elsewhere. Small savings possible through consumers' cooperatives, which mean much to the

industrial and poorer classes of European countries, seem insignificant to the more highly paid wage-earners in the United States. Further, the consumers' cooperative movement was established as a working class movement and has almost everywhere carried the badge of its origin. Many consumers in the United States who might otherwise have been interested in consumers' cooperation have shied at alignment with the working classes.

The workers themselves in the United States, including the farmers, have directed most of their organization efforts toward increasing their income rather than trying to make savings through organized purchasing. The emphasis has continuously been on production rather than on distribution.

The lack of a homogeneous population has often been urged as one of the reasons for the failure of consumers' cooperation in this country. Different races and nationalities do not easily work together in any type of organization and much less in a consumers' cooperative.

Perhaps the most important reason for the failure of the cooperative movement to assume an important place in retail distribution is the keenness of competition of privately owned business. Cooperative enterprise has succeeded best in the face of difficult trading conditions, such as retail monopolies, inconsiderate attitudes toward consumers, impossible conditions of trading, and so on. The keen competition among the various types of retail institutions prevailing in almost all communities throughout the United States has resulted in giving to consumers a type and degree of retail service probably unknown before in the history of the world. Despite all of the drawbacks and defects of the present retail system of distribution, the ultimate consumer probably receives more for his money at the present time than ever before. Under these conditions there is little need or economic justification for the establishment of another competitive factor in the retail field.

There are psychological difficulties inherent in cooperation,

TABLE 19. CAUSES OF FAILURE OF CONSUMERS' COOPERATION, AS REPORTED BY 154 SOCIETIES

(From *Monthly Labor Review*, July, 1926.)

Causes of Failure	No. of Cases
Due to members:	
Insufficient capital	78
Lack of patronage and support	13
Lack of cooperative spirit	6
Loss of interest	10
Factional disputes	2
Undue interference in management	2
Total	111
Due to directors:	
Lack of experience	9
Lack of interest and oversight	2
Total	11
Due to manager:	
Inefficient management	18
Overstocking	11
Poor bookkeeping	2
Dishonesty of manager or clerks	7
Total	38
Due to members and manager, jointly:	
Unwise extension of credit	27
Disproportionately high expense of operation	19
Operation on too small a margin	1
Operation on borrowed money	28
Money tied up in fixed assets	13
Total	88
General:	
Declining prices	77
Poor location of store	1
Strike	2
Depression or unemployment in trades of members	4
Fire	2
Purchase of old, slow-turning stock	3
Total	89

such as the necessity in a cooperative society for the members to work with and to go with their groups. Cooperative effort involves personal sacrifice of individual viewpoints. Were the necessity for this sacrifice very great, most people would undoubtedly adjust themselves to it, but with fairly satisfactory retail service available from private concerns and with but little to gain through cooperation, the incentive to cooperate is not very strong. If it should ever happen that any type of retail business should gain a position of control over the American market and thenceforth become careless of customer goodwill, it is easy to see that the cooperative movement might then move forward by leaps and bounds.

In many cases cooperation has been oversold. More has been promised from cooperation than could be delivered. Many well-meaning students of sociology even look upon cooperation as a possible means of regenerating human society and eliminating many of the unsatisfactory conditions that now prevail. Another, and from an economic standpoint, very serious defect in the cooperative movement has been its almost constant alliance or affiliation with other movements of social or political significance. Consumers' cooperation has been used as a platform plank by labor organizations, by farmer groups, by radical and conservative political parties, by feminists, by Christian Socialists, and by various other groups proposing the reform of human society. As a consequence of these alliances, it is not surprising that the cooperative movement has risen and fallen in unison with the successes and failures of allied movements. Cooperation has, in many instances, been but a pawn in a game played for other stakes.

When the cooperative movement was pushed by the Patrons of Husbandry, it rose and fell with the fortunes of that organization. Similarly, when taken up by the Knights of Labor it prospered until that organization began to fail, and then went to pieces with it. Consumers' cooperative groups in Europe have in some years risen to points of great influence

through participation in politics, only to be thrown out and to lose both influence and prestige on the change of the political control. Mention has already been made of the decline of the cooperative movement in Italy as a result of its alliance with the Socialists, the enemies of the present régime.

Important, permanent, economic progress in the consumers' cooperative field can scarcely be hoped for as long as the movement is associated with other movements subject to the ebb and flow of political, religious, or social fortunes. That this fact has come to be recognized by many leaders in the cooperative movement, points to a more conservative but surer development of consumers' cooperatives in the future.

Supplementary Factors Required for the Success of Cooperation.—A fundamental requirement of successful cooperation is intensive promotion and education. Wherever consumers' cooperation has succeeded it will be found that there have been individuals who have given their time and energy with unlimited zeal, and usually without expense, as missionaries to the movement. Were this promotion work placed on a business basis, it is difficult to see how the average cooperative retail store now in existence could possibly meet its bills.

Consumers' cooperation requires unselfish devotion and even great sacrifices from its promoters and executives. William Maxwell, the manager of the Scottish Wholesale Society up until a few years ago, who was responsible for a sales volume amounting to more than $50,000,000 a year, was content to remain in his position at a salary of only $38 a week. J. T. W. Mitchell, the manager of the Cooperative British Wholesale Society from 1874 to 1895, gave so much of his time and energy to the work of the society and devoted so little to the upbuilding of his own wealth that his estate at his death was appraised at only $1,750. These illustrations are typical of the burdens placed by cooperation upon its promoters. Long continuous service of able men is the rule.

Furthermore, a continuous program of education and publicity is essential to hold the cooperative group together after it has been organized. Many cooperative societies founded in the United States have overlooked this cause of disaster, and consequently have gone to pieces. The British societies have been wiser in this respect. Some of the individual members hold very radical views concerning politics and economics. Other members are strongly reactionary. The societies, as a whole, have avoided political biases and have kept closely to the immediate business of successful shopkeeping.

The British Cooperative Union is reported to expend more than $500,000 annually for the educational promotion of the cooperative movement, and most local societies carry on intensive educational work among their members. Promoters of cooperation sometimes urge that advertising and other forms of publicity are unnecessary in cooperative enterprises. This may be technically correct, but educational and promotion work are essential and these, in a very real sense, take the place of the publicity of private business. It may be found in the long run that as much must be expended in these forms to maintain the cooperative movement as is required for advertising to maintain the business of a private concern.

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CHAPTER X

DIRECT SELLING—PEDDLING AND CANVASSING

By direct selling is meant house-to-house selling either from stock carried along, in which case it is termed peddling, or by taking orders for later delivery, in which case it is called canvassing or simply order taking.

In England, a further distinction is made between peddling and hawking. A peddler, in England, is one who "Without any horse or other beast hauling or drawing burdens, travels and trades on foot and goes from town to town or to other men's houses, carrying to sell, or exposing for sale, any goods, wares or merchandise immediately to be delivered, or selling or offering for sale his skill in handicraft. A hawker is one who goes about with a beast of burden or other means of artificial carriage." [1]

Peddling.—Peddling is probably the most ancient form of retail distribution in the world. Wherever there was a surplus of goods to be marketed among other people, peddling was the method taken, and the professional peddler developed. Modern peddling includes not only the occasional traditional peddler with a pack on his back but those more often seen, who have more pretentious outfits; a pushcart, a horse and wagon, an automobile, a truck, or a beautiful retail store on wheels.

The types of goods generally sold at the present time through peddling include fruit and vegetables, fish, meats, groceries, patent medicines, toilet articles, tinware, and so on. The peddlers of fruits and vegetables and fish frequent the residential sections of the large cities and particularly the sub-

[1] Definition from an old English statute.

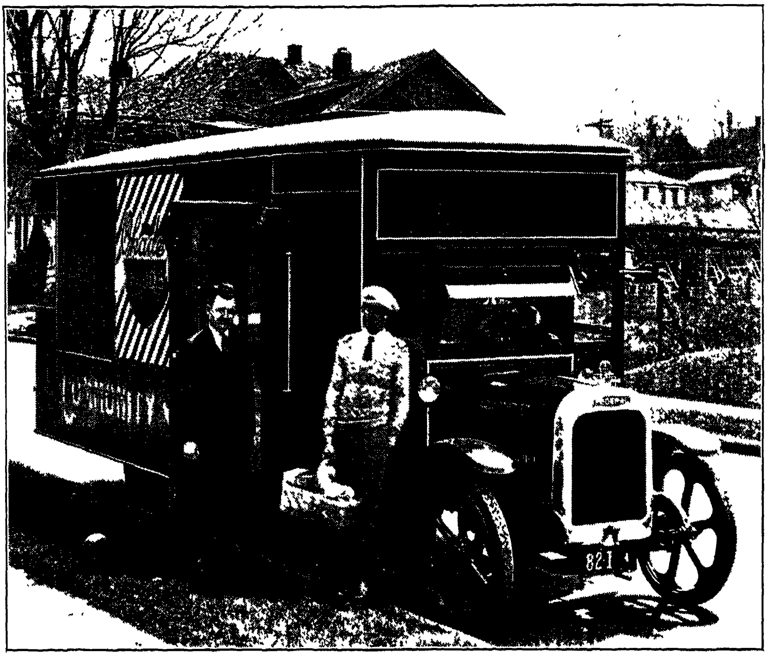

Figure 58. A Rolling Store
Reproduced by courtesy of *Chain Store Age.*

urbs. The raucous cries of the street vendors and the coarse call of the fish-peddler's horn are well-known to most city people.

Pushcart vending prevails almost solely in certain sections of New York City and other large metropolitan centers among the poorest classes of people and particularly among recent immigrants. "Groceries on Wheels," "Mototerias," "Groceterias," and "Rolling Stores," which have developed by degrees during the last fifteen years, are found more often in medium-sized cities, suburbs of large cities, and in small towns. Some of these traveling retail stores are marvelously ingenious in design. Adequate provisions are devised for display, examination of goods, and sales to consumers.

The peddler with the pack on his back has now all but dis-

appeared in America. The pushcart peddler may continue in existence as long as the densely populated ghettos and other foreign districts in our large cities persist. The horse and wagon peddler is fast disappearing, but the rolling retail stores of the palatial types described above may, if not prevented by adverse legislation and taxation, well continue to grow into important factors of retail distribution.

Canvassing.—Order taking, rather than peddling, is a natural development in the sale of certain types of commodities and services which cannot readily be carried in stock by the vendor when calling on consumers. Furthermore, order taking has largely displaced peddling in this country through a technicality of legislation and legislative interpretation. Peddlers may be regulated and controlled by local license and tax systems while canvassing may not. Such taxes are levied on peddling in most communities throughout the country.

Many varieties of goods are sold directly to consumers by canvassing. There are certain classes of goods which, if they are to be sold at all, must be sold in this way. There are, of course, many lines sold by canvassers that are also sold through dealers. Among the goods and services for which it is claimed that most advantageous distribution may be obtained by direct canvassing methods are sewing machines, musical instruments, electrical apparatus, iceless refrigerators, high-priced works of art, books, encyclopedias, magazine subscriptions, life insurance, and securities. In general, all commodities requiring specialized selling or specialized service in connection with selling are apparently best distributed by direct methods.

Classes of People Engaged in Direct Selling.—There is a greater variety of people engaged in direct selling than in any other form of distribution. There are both men and women of excellent business ability who are engaged in direct selling as a life's occupation. They have an established place in the business. Most of these are the employees or agents of well-

established concerns or are in business for themselves. Direct selling is their profession.

Then, there is a large constantly changing group of individuals who, as a result of the attractive proposals made by direct selling concerns, have been drawn into this field to make the personal experiment with this line of work. It is well known that a very large percentage of those who go into direct selling quickly drop out. After a short trial, the large majority of such entrants conclude that direct selling is not the field for them.

Next, there are large numbers of house-to-house canvassers and peddlers who devote but a portion of their time to this kind of work. Men and women, otherwise engaged in seasonal occupations, sometimes fill in their slack periods with direct selling activities. Many housewives supplement the regular household incomes, whatever they may be, by means of additional earnings gained through direct selling; still others look after the direct sales of certain goods, such as subscriptions to periodicals, from year to year for a small nearby group. These part-timers devote varying amounts of time to direct selling, and it would be difficult even for a government census to determine, as of a certain date, how many persons there are in this classification.

There are also considerable numbers of young men and women who are students in high schools and colleges who use their spare time as well as their vacations in direct selling work. Certain highly successful and well-established direct selling companies specialize in the employment of direct sales people of this type. At the close of their educational work they usually give up direct selling and go into other lines of business.

Finally, there is, in the aggregate, a great deal of house-to-house selling carried on through children, boys and girls in school, as well as adults who are physically handicapped for other kinds of work and who use this business as a means of securing at least a partial livelihood. Counting children's street trades, such as newspaper selling, as a form of direct selling,

there is, of course, a very large number of persons who give some part of their time to this work.

Extent of Direct Selling.—Direct selling is by no means the most important method of distribution of goods to the consumers, but it is nevertheless responsible as an outlet for a very considerable value of goods. During periods of peak activity in direct selling, it has been estimated that there have been more than 500,000 men and women engaged in this work. There are probably not less than 300,000 persons employed, either full or part time, in house-to-house selling at all times. A mailing list concern has accumulated a list of the names and addresses of 80,000 persons engaged in the work of direct selling. The list is certainly incomplete. To make an accurate list of the number of direct salespeople would be very difficult. The character of the work and the rapid turnover of people engaged in direct selling makes even a rough estimate a difficult matter.

It is estimated that the total sales volume resulting from direct selling methods for the year 1925 amounted to about $600,000,000. This estimate includes sales by canvassing or order taking only, and does not include the volume of goods sold by peddling. There are no estimates available as to the total amount of goods sold by peddlers.

In the trial census of industrial purchases and sales made by the U. S. Bureau of the Census in Cleveland, Ohio, for 1927, it was brought out that for manufacturers of food and kindred products with outfits valued at $100,000 or more and amounting to a total of $99,232,914, 10.84% of these products were sold direct to consumers. Excepting meats and other packing house products, sales of other food products amounting to 18.61% were made direct to consumers. Probably some of these goods were sold by canvassing as well as by peddling methods.

The year 1925 probably represented a high level of activity in direct selling. Many of the outstanding concerns whose products are distributed by direct selling have been able to progress

in sales volume since that year, but many others have failed to do so, and there are indications that there may have been an actual decline in the number of direct selling companies. In view of these circumstances it is probable that the total volume of sales by direct selling methods has not increased since 1925. It may, in fact, have declined somewhat.

Examples of Well-Known Direct Selling Companies.—Several companies that distribute their products directly to the consumer have risen to national prominence. Several have leaped into prominence since 1919.

Among the best-known direct selling concerns, the following may be mentioned. The Real Silk Hosiery Company came into existence as a direct selling organization shortly after the end of the World War. It is now reported to have over 10,000 agents scattered throughout the country and a sales volume in excess of $30,000,000 a year. This organization of agents operates under the direction of about 250 branch managers. More than 7,000,000 retail sales are made per year.

The Fuller Brush Company came into existence in 1911, but its sales did not reach $1,000,000 a year until 1918. Since 1923, according to reports available, its sales have averaged about $15,000,000 a year. This company employs about 6,000 agents selling a complete line of "45 different brushes for 69 uses." The sales territory of the United States and Canada is divided into five sales divisions. These are in turn divided into 45 districts and subdivided into 225 branches. Each branch manager supervises about 30 agents, and each agent has a territory with a population of about 10,000 people.

The Jewel Tea Company is a direct selling concern handling tea, coffee, chocolate, spices, and a general line of grocery products. This concern came into existence in 1900. Its sales for 1928 amounted to nearly $16,000,000. Its goods are sold through nearly 1,200 service salesmen or agents who operate in automobiles supplied by the company. The service salesmen

visit their customers twice a week, make delivery on orders received at the last visit, and take orders for the next delivery.

The J. R. Watkins Company of Winona, Minn., also distributes groceries and toilet goods in addition to a complete line of household remedies. This company is reported to have over 12,500 driver salesmen taking orders and delivering these goods to an amount estimated at about $20,000,000 a year.

The late Arthur Nash of Cincinnati, frequently called "Golden Rule Nash" because of his professed business policy of following the Golden Rule, developed a direct sale of low-priced men's suits from a beginning in 1916 up to a sales volume of over $14,000,000 in 1926. This concern has recently established a chain of retail stores, and since Arthur Nash's death there has been considerable reorganization.

Richman Bros., specializing in men's clothing at $22.50 per suit, sell both through chain stores and direct to consumers from house to house. In a period of a few short years this organization has developed a sales volume exceeding $20,000,000 a year.

The Aluminum Cooking Utensil Company, producers of "Wear Ever" aluminum goods, maintain an active, effective distribution of aluminum kitchenware through house-to-house agents as well as through retail stores.

The Larkin Company of Buffalo, New York, was described in the chapter on the mail order house.

Other concerns that have been highly successful in direct selling either as the sole means of distribution or in combination with other selling methods are the Hoover Company, manufacturers of suction sweepers, the Frigidaire Corporation, producers of iceless refrigerators, the Western Electric Company on its line of electrical household apparatus, and most of the automobile companies.

There are literally hundreds of concerns whose products are distributed wholly or in part through direct selling chan-

nels. There are said to be over 150 companies selling teas, coffees, and groceries by this method alone.

Conditions Under Which Direct Selling Thrives.—Wherever retail conditions are poor or unsatisfactory from the standpoint of consumers, wherever merchandising is bad, prices high, or service inadequate, there is a fertile field for the cultivation of direct selling. Wherever retailers are inactive or unaggressive, wherever they are backward in their appreciation of the trends of consumer demand, there the direct salesmen may reap a harvest of business from consumers.

Business depressions and slackness in employment, particularly among classes of people who can be taught how to sell from house to house, favor the growth of direct selling. Each of the periods of business depressions following 1873, 1893, 1907, and 1920 were accompanied by booms in direct selling extending for three or four years following. In each of these periods, direct selling companies found it easy to obtain salesmen from among the ranks of the unemployed. The necessity for earning something made them keenly interested in learning the technique of direct selling and of making something out of it. When business conditions improved and employment again became normal, many of these salespeople went back to their old lines of work and the increasing expense of keeping men and women at direct selling made much of it unprofitable.

Direct selling is usually more effective in medium-sized and small towns and in country districts than it is in the larger cities. It is as a rule easier for direct salesmen to find consumers at home and to reach them in the smaller places than in the larger centers. Direct selling is not impossible in the large apartment houses of the big cities, but is very much more difficult. There are often rules in apartment houses against solicitors or canvassers of any kind. People living in apartments are usually not at home as much of the time as those who live in houses and are not as good customers for many

kinds of goods sold direct as are house dwellers and house-owners.

The product to be sold must not only be suitable but its price must be such as to carry the sales expense of direct selling. There is a limit to the number of calls which a direct salesman can make in a day. Let it be assumed that direct salespeople can be employed to work for earnings averaging a minimum of $5 a day. If a salesperson so employed can make 20 calls a day, sales must result from those 20 calls yielding commissions or returns of not less than $5. If a sale is made as a result of 1 call in 4, then 20 calls should mean 5 sales, and each should produce $1 toward the salesperson's remuneration. There are very few products which can be sold through the regular channels of distribution, that will carry a salesman's expense of more than 20% or 25%. Specialties, little known and not limited by competitive prices in retail stores, may yield commissions of as high as 40% or 50%, but these are usually very difficult to introduce and sell to consumers.

In the sale of hosiery, men's caps, shoes, or other similar commodities in which there is active competition from other types of retail institutions, 20% or 25% is perhaps the maximum limit that may be paid out of the consumer's prices to the salesperson. A dollar per sale on a 20% or 25% basis means, therefore, that the total average sale must be not less than $4 or $5. If the average sale were only $1, and only 4 sales could be made a day, it is clear that the direct salesperson would soon be forced out of the work. The average sale, the possible number of sales, and the margin available for remuneration of the salesperson are, therefore, very important considerations in direct selling.

Selling Technique.—Direct selling is characterized by the exercise of arts of salesmanship that range from the poorest to the best in the world. Among those who engage in direct

selling may be found individuals whose efforts are crude and pathetic, bordering on the mendicant's whine, the "sob-stuff" plea of the beggar seeking charity. In some cases the offer of goods such as pencils, nail files, or novelties constitutes but a cloak for downright panhandling. And this is a business!

Others in the business of selling direct, through their high-pressure methods, come more nearly being highwaymen trying to coerce prospective customers into buying.

The reputation for dishonesty suffered by canvassers and peddlers with a great many people may be very unjust to the many who are honest, but, in many instances, is still deserved. There is no branch of selling in which it is so difficult to establish and to control ethical standards as in direct selling. There has undoubtedly been great progress in this respect, but there is much housecleaning yet to be done.

Proper selling technique is an exceedingly important factor in the success of direct selling. Dramatic, effective presentation is needed to overcome the very difficult obstacles found in this line of distribution.

The main difficulties of direct selling are, first, to get into the prospective customer's home to secure a hearing and, second, to secure the confidence of the customer in the proposition offered, and to overcome the feeling that arises almost invariably that "This is just another fake."

How Direct Salesmen Get into Homes.—Methods of securing a hearing have been given a great deal of careful attention by direct sellers and some very ingenious devices have been developed. Among these the following may be mentioned:

1. The offer by mail of a free gift to all who reply using an enclosed coupon or other form giving name and address. The free gift may consist of a box of soap chips, a small brush, a rubber sponge, a hand washboard, a spark plug, an aluminum dish, a memorandum book, an electric fuse plug, and so on.

The delivery of the gift is made by the salesperson, who uses his opportunity to get in with the gift to sell his regular line of goods.

2. Solicitation by mail or telephone offering free service or advice in connection with any equipment the home may already possess, such as electrical apparatus, sewing machines, refrigerators, heating plant, cooking equipment, and so on. The Jewel Tea Company, one of the largest and most efficient of the grocery houses engaged in direct selling, invites prospective customers to use the services of their representatives as coffee-making experts.

No method devised in modern times has proved so effective as a means of securing entry to homes as the offer of a free gift. The cost of the gift may not and usually does not exceed ten cents but the high proportion of sales resulting from calls made while delivering these gifts makes the expense of the gift a profitable outlay. Calling from house to house on a "cold canvass" without some such device as this and without acquaintance or introduction is in most cases a futile and discouraging task. Housewives are loath to answer their doorbells when strangers are calling or to admit them inside of their doors. Some device, as indicated above, to secure entrance is a very necessary part to the success of direct selling.

Dramatic Demonstration.—After getting into the prospective customer's house, the next problem is to secure the customer's interest. This, in many cases, is accomplished by some dramatic statement or method of presentation. Hosiery salesmen, who have been among the most successful during the past ten years, have used such demonstrations as drawing a nail file through the hose to indicate its strength and snag-proof qualities. Another demonstration intended to attract the interest of the prospective customer was to wrap the stocking around the leg of some heavy article of furniture, such as a piano, and then pull it around the room to indicate the tensile strength of

the hose. Other variations of this demonstration were to ask the customers to grasp the stocking at one end and let the salesman pull her out of her chair. Still another, the salesman would throw the stocking over a door frame and then support his whole weight therefrom.

Aluminum cooking utensil salesmen have effectively secured the interest of prospective purchasers by conducting cooking demonstrations not only for individual housekeepers but for parties. An arrangement is usually made with some housewife who agrees to invite a group of her friends for dinner. The salesman provides all supplies including meats, vegetables, and other foods, as well as the cooking utensils used in the preparation of the dinner. During the dinner party the salesman usually does no selling but gives a sort of running lecture on the use of aluminumware. He does secure the names of the persons who attend the party and later calls on them one by one and makes his sales.

Often the demonstrations used are of little meaning from the standpoint of the quality of the goods offered for sale. The nail file test or the heavy pull test on the hosiery leg mean little or nothing as to the wearing quality of the hosiery, for hosiery of almost any quality will stand these tests. Some of the older and more reliable hosiery companies in the direct selling business frown upon such methods. These companies are generally ahead of the procession of direct sellers by having new devices not yet used by their competitors. After entrance to the prospective customer's house has been secured, there is no type of demonstration that is so effective as a straightforward statement concerning the qualities of the goods, the service of the company to the purchaser, and the reasonable prices of the merchandise.

Advertising as an Aid.—Securing the confidence of the prospective customer in the merchandise and the proposition is another difficulty which the direct salesman must continuously

face. The customer may even be fully convinced of the desirability of the merchandise, but there may still be a lack of confidence in the salesperson and his proposition.

One of the means of making it somewhat easier to secure the confidence of prospective purchasers is the use of national advertising. A few of the larger and better-known concerns continually carry full-page display advertising in some of the leading consumer periodicals. This advertising makes it easier for the direct salesman not only by helping to pave the way to sales, but also helps in getting a hearing. The representative who introduces himself as from a company already known to consumers through advertising, is more likely to secure an openminded welcome than he would without such help.

National advertising is a method of securing the confidence of prospective customers which is, of course, open only to the larger concerns having a wide distribution of canvassers or agents. Local newspaper advertising has been widely used both by individual companies and by individual agents where national advertising could not be employed.

The Partial Payment Plan as an Aid to Direct Selling.—Another, and an entirely different method, the partial payment plan, helps to meet the problems of lack of confidence and, at the same time, serves effectively in closing sales where considerable amounts of money are involved. The partial payment plan applied to the sale of goods direct has been extremely useful.

The method of using the partial payment plan is somewhat as follows: after the merchandise has been demonstrated, the salesman who has a partial payment plan to offer, simply states to the prospective customer that she need not pay more than 20% or 25% of the price of the article at the time the order is given. The remainder may be paid on receipt of the goods. This device serves the purpose of reducing the risk or hazard in the customer's mind. It also serves another useful purpose.

Housewives do not always have on hand the full amount of the price of the merchandise ready to pay to the salesman. Even if she has the money available, it may not be convenient to make the full payment. The partial payment down saves the sale.

The amount of the first payment is usually the salesman's commission. He simply puts that amount in his pocket and then transmits the order to the company. The company then ships the goods by parcel post, C. O. D., and the postman delivers the goods, makes the collections, and returns the collections to the company. This system works admirably for all parties concerned. The salesman gets his commission at the time he completes his sale, the customer gets the merchandise soon thereafter, and the direct selling company has its cash in hand for all goods delivered within a short period, usually less than two weeks from the time the sale is made.

The partial payment plan with a C. O. D. delivery arrangement has been and is a part of the proposition of some of the most successful direct selling concerns in the country. It is doubtful that the conditions which were essentially so favorable for direct selling following the business depression of 1920-1921 would have produced such an important wave of direct selling as occurred had it not been for the ingenious devices perfected for securing entry to homes and for partial payments after sales had been made.

The Value of Direct Selling Experience.—Skilful salesmanship is the key to success in direct selling. Specialized training and experience are essential for those who are to make good in this field. House-to-house selling calls for the exercise of the real art of selling. Retail store salesmanship is very elementary in its requirements compared to direct selling. Whereas it takes but two or three weeks to train a salesperson to perform the routine work in department stores, efficient training for direct selling requires at least as many months. Direct sales-

people must not only know their merchandise and how to demonstrate it, points which salespeople in retail stores should, but often do not, know, but must also become expert in gaining entrance to homes, in making dramatic demonstrations, in answering objections, and in closing sales.

The training in direct selling is an excellent experience for young men and young women who plan to enter business of any kind as a career. A great many well-known business people have at one time or another in their periods of training had some experience in house-to-house selling. Among these may be mentioned such men as Thomas A. Edison, Cyrus H. K. Curtis, Myron T. Herrick, Melville E. Stone, John B. Stetson, and William Wrigley, Jr., as well as many individuals high in politics and professions.

The Importance of an Efficient Sales Force in Direct Selling.—It will be clear from what has already been stated about direct selling that the main difficulty is the maintenance of a skilled, efficient sales force. Keeping up an effective sales organization in a direct selling concern is an exceedingly difficult matter. Nearly all direct selling organizations experience a very high turnover of men. In the best of them there is a turnover equivalent to that found in retail department stores amounting to from 50% to 100% per year, and there are successful direct selling organizations in which the turnover of salesmen is 300% or 400% per year. In the magazine subscription business, publishers find it necessary to try to keep in touch with from 20,000 to 40,000 canvassers in order to keep from 1,000 to 1,200 actively at work.

Most direct salespeople are easily drawn from one proposition to another. A very high percentage do not last with any concern for more than a week or two. Very few of those who go into direct selling make it their life's work. One of the oldest and best established of direct selling concerns employing 6,000

agents has at any time less than 1,700 who have been with the company more than one year.

As a consequence of the problem of keeping up a staff of effective direct salespeople, the personnel work in a direct selling concern is not only of first importance but also very difficult. New salespeople are generally secured by advertising in specialty salesmen's periodicals, in the want ad columns in metropolitan newspapers, or in local newspapers in small towns. Several direct selling concerns have found that want ads in small-town papers are the most fruitful. A very large proportion of successful direct salespeople come from the smaller rather than the larger cities.

Direct salespeople are also recruited through the help of present members of the sales staff.

An examination of the advertising done by direct selling companies to secure salespeople indicates a common tendency to overstatement and exaggeration. Such advertising is usually full of unqualified promises of "Big money," "Chance of a life time," "Astounding earnings," and so on. If these methods are necessary to get salespeople, they are also probably responsible, in part, for the high turnover.

Direct selling companies that have merchandise which may be sold during the summer vacations, utilize college students to a considerable extent, but not every direct salesman who comes to the consumer's door and represents himself as a college student is by any means actually such. One of the common difficulties of direct selling suffered by all reputable companies is the widespread activity of imposters, and the difficulty of catching and checking them.

Methods of Payment.—Direct salespeople are, in the vast majority of cases, paid a commission on their sales rather than flat salaries. Commissions, as already indicated, vary from as low as 10% up to 40% or 50% of sales. Commissions of from 20% to 30% are common. Usually direct selling companies

also make provisions for additional bonuses payable to salesmen who secure sales above certain quotas. Most direct selling companies require salesmen to make advance payments to cover samples. Where this is not done and where the samples are of considerable value, references are required and carefully checked up. Salesmen who make collections as well as sales, are, of course, regularly bonded.

Training.—The training given to direct salesmen varies enormously. Many of the smaller companies and concerns marketing goods of low value do little more than issue an intensive correspondence to induce enthusiasm and urge effort. Other concerns have carefully prepared manuals giving the information about the merchandise which they would like their salesmen to convey to prospective customers. Still other companies employ thorough educational methods using teachers, demonstrators, practice training, and careful supervision. The earliest sales schools in the country were those established for the training of direct salespeople.

Expenses of Direct Selling.—House-to-house selling is not an economical form of selling. It is effective because it concentrates on one or a few lines and because it is aggressive. The first and most important item of direct selling expense is the remuneration of the salespeople. This runs considerably higher for direct salespeople than for salespeople selling similar goods within retail stores. Next there is a high expense in conducting the personnel work of a direct selling company in the employment of new salespeople, in training, in directing, and in supervising. Some of the most efficient direct sales organizations state that there should be a supervisor and trainer, or head salesman, with supervisory responsibilities for every five or six salespeople. These supervisors or trainers are in turn usually subject to branch managers. Branches are usually grouped under district organizations. Then there are the expenses of

conducting the general office, advertising, and other activities of the home office of the company.

It is, of course, not claimed by direct selling organizations that their selling expenses are lower than the expenses of selling through the regular channels of trade. Direct selling is limited to the sale of the single item or few items carried. Companion or suggestive sales are generally out of question. It is not possible to build up a very solid goodwill such as enjoyed by a store. Direct salespeople do not find their prospective customers in a mood to buy. The mood must be induced or created. Customers who call at stores, however, generally come ready to buy. Direct selling in many companies is handicapped by having no provisions for credit.

The advantages of direct selling lie in the possibilities of securing a market for goods which the other channels of distribution find it difficult or impossible to handle, or to find an outlet for goods when the dealers in the regular channels of distribution may have declined to handle them as the producers feel they should be handled. Direct selling, as indicated at the beginning of this chapter, serves wherever highly specialized salesmanship, aggressive presentation, and unusual services are essential to sale.

Antagonism Toward Direct Selling.—Direct selling in all forms, particularly when successful, is usually very irritating to local retailers who are permanently located and who maintain retail stores. Many efforts have been made by such retailers through their associations and otherwise to curb the activities of direct sellers. In spite of the fact that special legislation against direct sellers has repeatedly been found unconstitutional, nearly every state in the union, at one time or another, and in some states, several times, has passed laws for the regulation and control of direct selling. The efforts to try new laws are perennial.

The expressed objects in legislative activity to curb direct

selling vary. In some cases, regulations accompanied by high taxes on direct selling are urged as a means of equalizing the burden of taxation as between itinerant and local merchants operating in stores. In other cases, the purpose of restricting the activities of direct sellers is said to be for the protection of the people and the prevention of fraud, of which direct sellers are frequently reputed to be guilty. Probably the main object of nearly all efforts to restrict house-to-house distributors is to check their competition and to favor local merchants.

Peddling has been very generally controlled and curbed by law. Legal restrictions may be enforced against peddlers but not against canvassers, particularly if the latter represent concerns located in other states. Attempts to control or regulate canvassing have, in the opinions of the highest courts of the land, been held as local or state interferences with interstate commerce which is expressly prohibited by the Federal Constitution. Canvassing or order taking, when carried on for concerns located in other states, in the language of the courts, constitutes interstate commerce, and persons so engaged are not subject to local requirements for licenses or special taxes such as imposed by state laws or municipal ordinances.[2]

"Whatever the state may see fit to enact with reference to a license tax upon those who act as drummers for houses in the state, it cannot propose upon those who act as drummers for business houses outside of the state and who are therefore engaged in interstate commerce, any burden by way of a license tax." [3]

The efforts made by states and municipalities to curb direct selling in the interests of retail dealers with stores and permanent locations, has resulted in vigorous taxation measures against peddlers, but all efforts so far attempted have failed to affect the freedom of the order takers. As a consequence, many concerns that might otherwise have their goods peddled from

[2] See Real Silk Hosiery Mills v. City of Portland, 268 U.S. 325. Also Brennan v. Titusville, 153 U.S. 289.
[3] From Brennan v. Titusville, 153 U.S. 289.

house to house make provision for distribution by means of order taking for later delivery. Thus the law adds to the expense of direct distribution by making two calls necessary for each transaction, the first at which the order is taken and the second to make delivery. Selling and delivering at one and the same time is illegal. Selling on the first visit and delivering at a second visit is legal.

Various devices and subterfuges have been employed by municipalities to obtain some controlling grip over direct selling. In some instances the effort has been made to require direct salespeople to procure health certificates before being permitted to carry on business. In another case lists of citizens have been prepared based on requests alleged to have been made to have the police prevent canvassing and peddling. Direct salespeople have thereupon been notified by the police that they might not call on the people named in the lists. Most of the efforts made by local retailers to curb direct selling have either turned out to be illegal or useless. Furthermore, direct sellers have secured the help of the courts against municipalities that have attempted to interfere with direct selling. Such interference has in more than one case been deemed a felony and the municipal authorities held liable for damages.[4]

There is, at the present time, no legal curb for direct selling. Retail dealers who feel aggrieved at the success of direct selling within their communities have no legal recourse against direct sellers unless they, the direct sellers, are using illegal or dishonest methods. Where such methods can be proved, the Better Business Bureaus or other business organizations may usually take prompt action against both individuals and their employers.

The uselessness and mischievousness of attempting to control so important a channel of distribution as direct selling by legal prohibition, is a lesson that should by this time have been thoroughly learned by all who are interested in the retail field.

[4] See Scott *v.* McDonald, 165 U.S. 58.

At the present writing, direct selling is not disturbing American retailers at large to any very great extent. Since passing the peak of the wave in 1925, direct selling has probably only held its own ground, while regular retailers have found other ways and means by which they might more successfully meet this new competition.

It is not impossible, however, that there may be in the future other waves of direct selling. If retailers are not wiser than they have been in the past, there will likewise be waves of efforts to curb direct selling by recourse to legal methods. It would seem better wisdom for retailers to study the conditions that favor the development of direct selling, the strength and the weakness of direct selling as a method of distribution, and to meet the competition of direct selling by direct business methods. Running to the legislatures and to the courts for help whenever pinched by competition is a habit too widely practiced by American business men. It may well be borne in mind that both sides can play this game, and in the long run direct sellers might conceivably secure just as much help from legislators and courts as the regular retail dealers. A better method, not only from the standpoint of retail trade itself, but for society as a whole, would be to make a real business test in each case to see what methods of distribution can actually serve customers most effectively. In the long run, that system which offers merchandise and service which consumers most desire at the lowest prices is best and should win.

CHAPTER XI

MISCELLANEOUS FORMS OF RETAILING

1. **Industrial Retail Stores.**—Industrial retail stores, sometimes called company stores or commissaries, are found in the mining areas throughout the country, in lumbering towns and in connection with many industrial plants. They are regular retail stores maintained to serve the employees of the companies operating them.

As early as 1923, Prentice Winchell[1] estimated that the total sales of company and industrial stores of these types could not be far from $1,000,000,000 a year. Since 1923, Louis Stilman, editor of *Industrial Retail Stores Magazine*, and others have estimated that the sales through these stores exceed $1,250,000,000, and that the trend and volume of sales is steadily upward. In 1928, there were said to be more than 10,000 industrial retail stores in the United States serving over 17,000,000 people with food and clothing.

In former years industrial retail stores confined their merchandising to crude necessities of the working people employed by their companies. The stores themselves were generally forbidding-looking buildings, and equipment was of the roughest sort. With rising wage levels and growing standards of living, these retail conditions could not be continued. Industrial-town people had discovered ways of securing merchandise from competing institutions, such as the chain stores and the big mail order houses. Some of the chain store systems have apparently planned the locations of many of their stores to get this trade.

The recognition of this change in consumer demand is

[1] *Printers' Ink Monthly*, November, 1923.

producing a veritable revolution in methods of retailing among industrial retail stores. Such stores have been and are being modernized and remodeled at a very rapid rate. New buildings are being constructed, and methods of operation such as those used in highly successful chains and independent stores are being introduced. As a result, the industrial retail stores are able to hold not only the trade of their original customers, the employees of the companies with which they are connected, but also to draw trade from other people in the surrounding country. Sales volume has apparently gained appreciably year by year.

Methods of Organization.—In most cases, industrial retail stores are owned by the companies with which they are connected and are either managed by employees of that company, or by a professional store manager working either on a salary or on some bonus or profit arrangement and subject to the supervision of the company. Some industrial retail stores are operated as departments of the company, others as branches of company mutual benefit associations. In the latter case, any profits earned are turned in to the mutual benefit association funds. In a few instances they are even operated under the direction of committees made up of both employees and representatives of the company.

Sales by industrial retail stores are usually made at prices that are fixed as nearly as possible to cover the costs of the goods and expenses of operation. A recent study made by the National Industrial Conference Board among a considerable number of such stores found that more than three-quarters of them come out just about even at the end of each year.

The volume of sales transacted in some of the individual concerns places these institutions in a class with large metropolitan department stores or important chain store organizations. There are individual industrial stores with sales amounting to several millions of dollars and there are groups

of stores whose volume would be envied by many well-known chains. The H. C. Frick Company stores located in West Virginia and Pennsylvania, with buying offices in Pittsburgh, have an annual volume of $25,000,000.

A representative group of industrial retail store organizations have united in a national association which holds annual meetings at which the live problems of modern retailing are as fully and as interestingly discussed as in any other retail trade association.

Ford Commissary Stores.—One of the most interesting and spectacular developments in the industrial retail store field was the establishment of commissaries in Detroit, by Henry Ford, for his employees, in 1914. These retail stores for a number of years served employees solely, but in the fall of 1926 they were thrown open to the general public and attracted so much trade and consequent attention that retailers in Detroit and elsewhere started an uproar of protest threatening to boycott Ford delivery trucks and automobiles and to urge others to do the same. Whether this may have been the cause for Henry Ford's change in policy is not known, but sales of the Ford commissaries to the public ceased in April, 1927, and the entire business was closed up in 1928.

During the peak of their activity, that is for the year 1926, the total sales volume of the Ford commissaries in three plants amounted to $12,000,000.

The Ford idea of merchandising seems to have been to supply convenience goods such as groceries, meats, drugs, and staple items of apparel and footwear. Purchases were generally made directly from manufacturers or producers. Expenses were kept to a very low figure. During the six months' period ending December 31, 1926, the rate of expense on the sale of groceries and drugs amounted to 6.8%, on meats 8%, on shoes and dry goods 7.8%. The average expense on all items amounted to 7.3% of sales.

Labor costs were very low in these commissaries. Sales employees were kept very busy by the lines of customers almost constantly waiting to be served. Risks and markdowns were generally eliminated by confining sales to staple goods. There was never any advertising other than the free publicity given by newspapers and the goodwill of the name, Henry Ford. A very high merchandise turnover of almost once per week was secured.[2]

In spite of the remarkable growth and apparent success of the Ford commissary stores up to the spring of 1927, after they were closed to the public the interest, even of the employees of the Ford company, also declined. It was also stated that during the spring and summer of 1927, very active competition sprang up not from independent retailers but from new chain stores established in the vicinity of the Ford plants.

2. **Army Post Exchanges.**—Another very interesting and, at the same time, highly efficient and successful type of commissary stores is the U. S. Army Post exchanges, numbering about 150, located in government army reservations. During the World War, at the time of the opening of cantonments for the great numbers of newly enlisted men, their number for a time rose to over 300. The Army Post exchanges exist for the purpose of selling such goods as are not supplied by the government to soldiers and officers and their families.

The development of the Army Post exchanges has been extremely interesting, and a brief account will be presented. Beginning during the War of 1812, permission was given by the U. S. War Department to private business men, known as sutlers, to establish shops for the sale of merchandise to the officers and soldiers in the army. The sutler system continued from 1812 to 1866. The sutlers established, owned, and managed the army canteens. As there were few or no regulations, particularly at the beginning, prices were uncontrolled, and in

[2] Joseph E. Shaefer, in *Harvard Business Review*, April, 1927.

some instances exorbitant profits were extorted. Other evils such as liquor selling proved a constant irritation as well as a menace to the discipline of the army.

In view of the many difficulties with the sutlers a change was made in 1866, and army post traders were appointed to take charge of the canteens. In the years immediately following this innovation, the army post traders established themselves on all of the government reservations, particularly on the western frontier where many troops were then stationed.

No advantage, however, was gained by the change. High prices and liquor selling continued. Graft on a large scale stalked in. In 1876, a serious scandal arose when it was found that a brother of President U. S. Grant had been an important beneficiary of graft collected from post traders. W. W. Belknap, Secretary of War, who had likewise received large sums of money collected from the post traders, was impeached for this reason on March 2, 1876. These scandals resulted in the elimination of army post traders.

Gradually there developed, more or less spontaneously, cooperative post exchanges started by soldiers and officers in the various camps. This somewhat irregular, spontaneous development continued from 1880 to 1889 when these exchanges were given official standing; and in 1892 the War Department officially designated post exchanges, and in 1904 ordered their establishment in all army posts.

The present system of army post exchanges has been highly standardized and is centrally controlled from Washington. Careful accounts are kept of each post exchange and all accounting systems are uniform, so that operating costs and other facts are regularly compared. Any deviations or variations from normal are quickly detected.

Post exchanges make sales on a cost-plus basis, that is, prices are fixed at a point to cover the costs of the merchandise plus the estimated costs of operation. Each post exchange must pay for its store and equipment. After it has met these obliga-

tions and cleared its indebtedness it may declare dividends. These are usually expended for various forms of recreation for the enlisted men such as shows, concerts, entertainments, and so on.

The army post exchanges are, according to all information available, very efficiently conducted and give very satisfactory results to all concerned. They handle numerous lines of goods, but for the most part these are of staple nature. There is very little depreciation. Operating costs are considerably lower than in private business organizations conducted in the regular way in the outside business world.

3. **U. S. Navy Commissary Stores.**—The U. S. Navy commissary stores do for the navy what the post exchanges do for the army. Eighteen such stores, established at various navy yards, serve 109,000 persons in navy employ, and in 1927 did a business of over $50,000,000. These stores supply naval officers and men, and under certain conditions are open to officers and enlisted men of the army.

Among the many classes of supplies carried in the navy commissary stores are groceries, milk, vegetables, navy uniforms, clothing, notions, blankets, perfumes, imported goods, hardware, china and glass, sporting goods, small arms, music, and radios. More than 1,000,000 candy bars are sold yearly through these outlets.

The Bureau of Supplies and Accounts in Washington is the purchasing headquarters for the navy stores. All goods are purchased according to specification and are subject to careful tests and inspection. Credit accounts are carried in the navy commissary stores, and settlements are effected by deducting the amounts due from the pay of the officers and men who trade there.

4. **U. S. Canal Zone Stores.**—The United States Government also conducts a chain of 11 retail department stores in

the Panama Canal Zone, through a subsidiary organization, the Panama Railroad Company. In the year ending June 30, 1924, these 11 stores had sales amounting to $7,324,203, and the cost of doing business was reported to be only 10% of sales.

The Panama Canal Zone stores carry very complete lines of merchandise including not only groceries and cold storage products but also dry goods, clothing, home furnishings, shoes, and so on.

Since these stores serve the families of the employees of the government in the Canal Zone, much more stress is placed upon having proper assortments of goods for home use and such as purchased by women than in the case of the army post exchanges. The Canal Zone stores enjoy a large volume of business in fashion goods purchased not only in the United States, but in France and other parts of Europe as well.

A part of the service of a Canal Zone store is to secure for its patrons whatever goods they may desire, whether it be a used piano from the United States, a diamond ring from England, or a silk dress from Paris.

Inventories are taken monthly and stock control systems are effectively used. Expenses are low because of the low labor costs. Colored salesmen, most of them from the West Indies, are employed and are paid from $42.50 to $75 a month. Purchasing is largely done through New York and New Orleans offices in the same way as it is done through the resident offices of chain store organizations.

These stores are not allowed to sell other than to the canal employees, army and navy personnel and families.

5. **Exclusive Sales Agencies.**—An exclusive retail sales agency is a retail outlet under agreement with a manufacturer or wholesaler to enjoy exclusive sales privileges on a given commodity or service within a certain territory. In some cases this agreement includes the conditions that the retailer must not sell competing lines, in other cases, the seller agrees simply

to limit the sale of the product to a certain number of dealers within a certain territory.

The agreement between the seller and the retailer may be and often is, simply an understanding arrived at orally between the seller and the dealer. In other cases, the oral understanding is supplemented by an exchange of letters. Usually, however, the exclusive agency agreement takes the form of a formal contract sometimes known as a franchise and sometimes as a license.

The agreement, when drawn up in contract form, specifies in writing all of the conditions such as the rights of the dealer to exclusive sales privileges in a definite territory and the responsibilities that accompany such rights. It also states the services that will be rendered by the seller in the way of supplying goods, advertising, price protection, terms, and discounts.

Usually the contract specifies some minimum amount which the dealer is expected to sell per year. The seller usually reserves specific rights to change prices whenever necessary but may grant the agent certain concessions such as limited period price guarantees, rebates on old stock bought at higher prices, or other similar provisions. If the particular merchandise to be sold is of such character as to require service after the sale, the conditions of the performance of this service are also made a part of the contract. Exclusive agency contracts are drawn up in a formal way partly as a means of having a record of the understanding, partly as a definite means of indicating in black and white what is expected of each side, and partly as a means of impressing the dealer with the value of his franchise. Both the practical and the psychological values are important.

The commodities frequently marketed through exclusive agencies include automobiles, pianos, phonographs, radios, household furniture, electrical appliances, farm machinery, men's and women's clothing, hats, shoes, hosiery, paints, and varnishes. Exclusive agencies are usually used in the sale of heavily advertised and branded goods. Other classes of goods

the Panama Canal Zone, through a subsidiary organization, the Panama Railroad Company. In the year ending June 30, 1924, these 11 stores had sales amounting to $7,324,203, and the cost of doing business was reported to be only 10% of sales.

The Panama Canal Zone stores carry very complete lines of merchandise including not only groceries and cold storage products but also dry goods, clothing, home furnishings, shoes, and so on.

Since these stores serve the families of the employees of the government in the Canal Zone, much more stress is placed upon having proper assortments of goods for home use and such as purchased by women than in the case of the army post exchanges. The Canal Zone stores enjoy a large volume of business in fashion goods purchased not only in the United States, but in France and other parts of Europe as well.

A part of the service of a Canal Zone store is to secure for its patrons whatever goods they may desire, whether it be a used piano from the United States, a diamond ring from England, or a silk dress from Paris.

Inventories are taken monthly and stock control systems are effectively used. Expenses are low because of the low labor costs. Colored salesmen, most of them from the West Indies, are employed and are paid from $42.50 to $75 a month. Purchasing is largely done through New York and New Orleans offices in the same way as it is done through the resident offices of chain store organizations.

These stores are not allowed to sell other than to the canal employees, army and navy personnel and families.

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in which exclusive agency arrangements are infrequently or rarely found include groceries, druggists' sundries, toilet preparations, underwear, lower-priced jewelry, auto accessories, and so on.

Note may be taken, however, that even within the fields in which exclusive agencies are found, there is always a large volume of merchandise distributed without agency arrangements.

Exclusive agencies are usually employed by sellers when their commodities are such as to require a high degree of salesmanship and service, when relatively high-priced, and when subject to keen competition and wide consumer shopping. A great many of the higher-priced lines of goods in which fashion is a factor are marketed on the exclusive agency basis.

Another important reason for the establishment of exclusive agencies is the desire to control the conditions of resale to consumers, and particularly to prevent or eliminate unrestricted price-cutting such as might prove disastrous to the future market of the commodity. In order to secure wide distribution in a hurry, the exclusive agency is sometimes offered as a selling argument. Dealers are more likely to give prompt, favorable decisions on handling desirable articles if allowed exclusive sales privileges than if the goods are to be offered to all dealers. An article in a field in which there is much competition may not be of any interest whatsoever to a retailer if he knows that the same article is to be sold by other retailers in his community, but if allowed an exclusive sales privilege he may see the opportunity of developing the market and earning a fair profit return therefrom.

The usual immediate result of an ~~exclusive sales~~ agency policy is a low unit selling expense for the manufacturer. The retailer is benefited by the assurance that any demand that can be aroused for the commodity will be filled at his store and that the commodity upon which exclusive sales privileges are

granted to him may even help to increase sales in accessory or supplementary lines used with the commodity.

Under an exclusive agency method of distribution it is usually possible for the dealer to carry a more representative line of sizes, colors, styles, or varieties of the commodity than would otherwise be practicable. This benefits the manufacturer as well as the retailer by giving the line a better opportunity for display and sale to consumers.

The question of consumer prestige and its value often arises in connection with exclusive sales agency arrangements. The small, little-known dealer who secures an exclusive agency for a well-known, wanted product certainly gains something from handling the product. In this case the product has more prestige than the dealer. Similarly, the seller who secures a powerful, well-known dealer to handle his product aggressively gains sales prestige from the dealer. When manufacturers sell to new dealers it is a common practice to give the names of well-known dealers already carrying the line as a means of inducing the new dealer to take on the line. A combination of a good product, well-known, handled by a strong dealer, is the ideal sought by most manufacturers.

There are, however, disadvantages in exclusive agency arrangements for both vendors and dealers. From the standpoint of the vendor, ultimate distribution and sales volume are limited by the activity of the exclusive sales agencies. As a result, national advertising that may be carried on by the manufacturer, fails to secure the full returns which it might obtain, were the goods sold in every possible outlet. Exclusive sales agencies do not have the stimulus of competition to drive for sales volume that retailers have who enjoy no privileges. There are frequent instances in which the exclusive agent devotes the major part of his attention and ability, as a distributor, to other lines upon which he is having competitive difficulties rather than to the line upon which he has exclusive sales privileges.

Furthermore, there are very few dealers who can command the patronage of all customers in their community. A manufacturer who markets through exclusive agencies usually finds that there are many doors closed to sales, for the reason that there are always prospective customers who will not or do not care to trade with the particular dealers who are the manufacturer's agents.

Other retailers handling competitive lines usually select for their most vicious competitive attacks those goods sold through exclusive agencies. Exclusive agency policies invite active substitution.

The dealer who becomes an exlusive agent likewise suffers some handicaps. The prices paid for commodities sold in this way are sometimes higher and profit margins lower than on goods bought in the open market and handled by all classes of dealers. The exclusive agency arrangement usually requires the dealer to carry fairly heavy stocks which may well be overstocks in many cases. The control exercised by the vendor over the sales policies of the agency may likewise hamper the agent's freedom and growth. Finally, there is also the possibility that the agency may be withdrawn.

There is no point upon which American retailers are more sensitive than the difficulties they have or may have had with manufacturers for whom they have developed an important sales volume and goodwill, only to lose the account because of some difference in opinion. A change like this makes it necessary for the retailer to begin all over again with some new line.[3]

6. Leased Departments.—Leased departments are, of course, not recent developments. Some of the earliest department stores, it is believed, began by having several small retail

[3] An excellent study of the exclusive agency as a factor in the distribution of manufactured products may be found in a report issued March, 1923, by the Bureau of Business Research of New York University, entitled, The Exclusive Agency, A Study in the Marketing of Manufactured Products.

stores owned by different people conducted under the same roof. The Royal Exchange in the sixteenth century, the prototype of the modern department store, referred to in Chapter III, was evidently made up of 200 or more leased departments or independent shops. Dealers leased spaces or stalls within the building from which they conducted their business. Public markets, both ancient and modern, particularly when operated under a roof, have usually been divided into sections or stalls, each of which is leased or rented to individual producers or dealers.

In the middle of the nineteenth century, at the time department stores came into existence, leased departments began to come into notice. The concern, L. Straus & Sons, back in the 1870's and 1880's, conducted a crockery, china, and glass business and had leased departments in several retail stores. Among these stores was R. H. Macy & Company then located at Sixth Avenue and Fourteenth Street. Later, Nathan and Isidor Straus, sons of the founder of the crockery, china, and glass business, acquired the entire R. H. Macy store, which is still owned by the sons of Isidor Straus.

One of the outstanding retail institutions of the country entirely conducted on the leased space plan is the Leiter building occupied by the Leiter stores in Chicago. This building, which occupies a location just outside of "the Loop" was formerly occupied by a large department store, Siegel-Cooper & Company, which failed. The present arrangement appears to be successful.

Present Status of the Leased Department System.—Leased departments are found in a wide variety of retail stores. Many grocery stores have leased meat departments and fruit and vegetable departments. Many drug stores have leased tobacco departments and soda fountains. Dyeing and cleaning agencies occur as leased departments in many types of retail institutions. Leased shoe departments are frequently found in

men's clothing stores and jewelry departments in women's specialty shops. A very large proportion of the department stores throughout the country have some leased departments.

The leased department system has been subjected to at least three recent studies.[4]

In the *Women's Wear* survey, 58 stores out of a total of 84 questioned reported leased departments. In this study, there were 254 leased departments in the 58 stores, and in Miss Averill's study there were 341 leased departments in 88 stores. From the information presented in these reports, and from such other study as has been given to the subject by the writer, it is believed that considerably more than one-half of all department stores throughout the country have one or more leased departments and that the system of leasing is growing at the present time.

Lines of Merchandise Carried in Leased Departments.—All of the leased department studies agree that millinery departments are more frequently leased than any other. The opinion was expressed in the U. S. Domestic Commerce Division report on department leasing, that in cities of from 35,000 population and up fully one-half of the millinery sold is distributed through leased departments. Beauty parlors and barber shops come second, shoe departments third, followed by candy departments, optical departments, pattern departments, restaurants, and luncheonettes.

A wide variety of merchandise is sold through leased departments. There are numerous leased departments in furs, women's apparel, boys' clothing, and other classes of ready-to-wear. Books and stationery, circulating libraries, jewelry, umbrellas and canes, floor coverings, furniture, musical instruments, sewing machines, wall paper, washing machines,

[4] A. L. Bush, Department Leasing in Retail Stores, Domestic Commerce Division, U. S. Department of Commerce, 1925; A Survey of Leased Departments, made by the Store Promotion Section of *Women's Wear Daily*, 1927; Grace J. Averill, Survey of Leased Departments, Terms and Contracts, National Retail Dry Goods Association, 1928.

phonographs and radios, picture and frame departments, cut flowers, pets and birds, occur frequently as leased departments.

Leasing Systems.—Departments may be leased to individuals, manufacturers or leasing syndicates. Numerous departments in such lines as restaurants, barber shops, cut flowers, bakery goods, boot-black stands are leased to individuals. Manufacturers frequently lease merchandise departments in such lines as shoes, paper patterns, furs, furniture, electrical goods, and floor coverings. Syndicates that operate numerous leased departments, and which are veritable chain stores, although their outlets appear only as departments in other types of retail establishments, control the leased department millinery business and are found to a considerable extent in such lines as shoes, jewelry, women's apparel and accessories, beauty parlors, and optical goods.

Leasing arrangements are ordinarily covered by contracts which usually run for a period of a year. In most instances the contract is a regular leasing arrangement. In other cases, due to technicalities of state legislation, the department operator is granted a license instead of a lease. Licensees as a rule have fewer privileges than do lessees.

In return for the privilege of conducting a leased or licensed department, the retail store receives a rental which is sometimes a flat payment of so many dollars per month. In a few instances the payment is a percentage of the net profits earned. Usually it is a percentage of net sales, sometimes accompanied by a guarantee of a minimum monthly or annual amount.

The percentage rates on net sales paid by leased departments range from 5% to 30%. The average, however, is about 12½% to 15%. Phonographs and radio departments pay the smaller percentages. Apparel, millinery, and shoes average 10%, 12½%, and 15% of net sales. Some of the higher percentages are to be found among such lines as furniture, pianos, umbrellas and canes, pictures and frames, stoves, bakery goods, candy,

soda fountains, beauty parlors, optical departments, and photographic studios. In such departments the averages range from 15% of net sales upward.

The Form of Lease.—Typical forms of leases used both by retail stores and syndicates appear in the reports already considered. Such lease forms have also been published from time to time by the *Dry Goods Economist.* They are usually rather long and technical. They generally attempt to cover all possible contingencies that might arise in the conduct of the business.

In addition to the terms of the contract as to the amount of space granted, period covered, and consideration, it also sets up specific conditions regarding what services shall be provided and what expenses paid by the retail stores, and similarly what by the lessee.

The lessee is usually required to supply his own necessary fixtures and equipment, subject to the approval of the lessor, and the lessor provides not only space but heat, light, water, power, and janitor, telephone, elevator, and delivery service. If the store carries charge accounts the privilege of charge or instalment business is usually accorded to the lessee, but in some instances an extra percentage, such as 2½% on all net sales sold on credit, is added to the regular rental paid.

The contract usually specifies what advertising, window display, and interior displays the lessee shall have. Other provisions require the lessee to observe all policies and rules of the store as to hours of operation, methods of handling goods, methods of selling, and discipline of the store.

The lessee is also held liable for all damage done and for any liability originating with the lessee or his department to other employees, to customers, or the public. Almost invariably, under the terms of a lease of a department the business of the department must be conducted under the name of the retail store. Any goodwill developed, therefore, accrues to the store rather than to the leasing concern.

Reasons for Department Leasing.—The decision of retail dealers to lease space for one or more departments arises out of several conditions. Often when owners of retail stores decide to build new stores, provision is made for expansion beyond immediate needs. In order to obtain some return from unused space it is sublet for merchandising purposes. In other cases, established retail stores find it impossible to conduct certain departments successfully. This has often been the case on such lines as millinery, shoes, and apparel. Specialists understanding the problems of merchandising these lines can often handle them successfully on a leased basis. In some cases the retailer may desire to add a line of merchandise for its cooperative value to the rest of the store, but may not have within his own organization any one with the necessary education or experience for successful conduct of the new departments. Under these circumstances, the owner often turns to some one willing to undertake the establishment of the department on the basis of a lease. Occasionally, a department store manager may find an individual or concern with outstanding ability in the operations on certain merchandise lines, but unavailable as an employee of the store, so that it may seem profitable, even when the store's departments are operated successfully, to lease them with the view of securing even greater returns.

The difficulties that grow out of department leasing are such as disintegration of the central ownership and control of the store, the tendency, in spite of best-laid plans and specific contractual conditions, for the leased department to conduct its business by methods and on policies out of harmony with the rest of the store. On the other hand, department leasing has saved many retail store managers from the continuous operation of departments at a loss. Whatever is received in rental rates is in such cases pure profit over the store's own performance. Instead of a periodical net loss, the space devoted to such lines of merchandise shows some return even though it be but a modest rental rate.

7. **Retailing by Auction.**—The sale of merchandise by auction, at which the price is fixed by competitive bidding until the highest bidder becomes the purchaser, is an ancient method of disposing of goods. It was in use among the Romans long before the days of Caesar. Military leaders disposed of the plunder of war by holding auctions and the method continued during the Middle Ages.

Variations in the methods of conducting auctions have developed in different countries. The Dutch auction system reversed the bidding process by fixing the price so high that no one would buy and then making gradual reductions until some one would buy the goods. Another type of auction, said to have originated in France and known as French candle auctions, was conducted on another basis. When the highest bid was made by some prospective purchaser, a candle was lighted and for each following bid received higher than the ones preceding the candle would be extinguished and relighted again. On the final and highest bid the candle would be lighted to burn until self-extinguished. This method gave others, interested in the goods, time to consider the possibility of increasing their bids but, at the same time, placed a definite time limit within which the merchandise to be sold would pass to the ownership of the last bidder.

The auction system is assumed to give the freest play in arriving at economic values of standard merchandise. It provides for prompt disposal of the merchandise. Naturally, auction selling does not permit the calm consideration that most consumers wish to give to prices and values when buying their goods. An auction salesroom, crowded with customers under the effective presentation of the clever auctioneer, may sometimes be swayed like a mob instead of each individual acting in his own economic interest.

Auction selling has, in recent years, declined in use so that now it is almost entirely limited to the disposal of second-hand

household goods, bankrupt stocks of dealers' merchandise, farm equipment, art objects, and occasionally, real estate.

In addition to these fields of legitimate auction selling activity, there is a scattering of auction retail stores at which jewelry, watches, and bric-a-brac are disposed of by auction methods. Frequently this method of selling is accompanied by artificial and tricky methods of stimulating customer interest, such as exaggeration and dishonest descriptions of goods by the auctioneer, and the employment of individuals posing in the audience as customers stimulating deep interest in the goods offered, raising the bids made by bona fide customers in order to secure higher bids from them in return. Such auction selling is considered illegitimate, and is regulated and prohibited in many communities.

The success of auction selling depends in a large measure upon the preliminary advertising or announcements issued, but more particularly upon the skilful ability of the auctioneer, who describes and demonstrates the goods offered for sale, and then induces active competitive bidding for the purchase of the goods.

8. Fairs and Exhibitions.—Some centuries ago, the village or community fair was an important medium through which consumers obtained most of the goods which they had occasion to buy.

Fairs have declined greatly, but are still important in some communities in Europe and Asia. Public markets, however, are direct modern developments from the system of consumers' fairs, and, as stated in section 9 of this chapter, public markets are still highly important, particularly in the distribution of food products.

Fairs or expositions are now frequently held at which consumers' goods are exhibited largely for the purpose of advertising rather than to secure actual direct sales. Manufacturers and retailers often combine in holding annual "food

shows" at which great varieties of foods are exhibited, demonstrated, and sampled, resulting in increased interest on the part of consumers in new types of goods, new methods of food preparation, and so on.

Similarly, expositions of home furnishings, household electrical appliances, and consumer style shows help by education to formulate consumers' wants in these directions. Such expositions are not only held independently but also in connection with county and state fairs and constitute an important form of sales promotion whose effects are registered in later trends in consumer demand.

Commercial fairs are still held regularly in many centers for the purpose of wholesale selling to retailers. Among the most important wholesale fairs of international interest are the Leipzig Fair in Germany and the British Industries' Exposition in England. Smaller industrial fairs are held at numerous places in Europe. Most of these are held semi-annually or annually, for a period of from one to two weeks. Such fairs are attended by great numbers of retail store buyers.

American wholesale fairs, similar to the European exhibitions just described, include the furniture fairs, toy fairs, novelty goods exhibitions, and business equipment shows. Both dealers and consumers visit the automobile shows, motor boat shows, chemical expositions, electrical expositions, and ready-to-wear style shows.

9. **Public Markets.**—The public market is one of the oldest, if not the oldest form of marketing. It is a means of bringing producers and sellers in direct contact with consumers and buyers. Public markets, now a part of the general institutions of retail distribution in European countries, trace their origin to the dim mists of medieval times. The colonial settlements in America likewise established public markets very early. They were formerly outlets for all kinds of consumers' goods, including not only food products, but fabrics, clothing,

shoes, and home furnishings. More recently, the sale, through public markets, of nearly all classes of goods with the exception of food products, has greatly declined. In fruits and vegetables, meats, fish, dairy products, and groceries, the public market is still in many cities an important distribution institution.

Types of Public Markets.—The public market may be merely an open space, conveniently located within a city, to which producers and dealers haul their produce by wagon or truck, make their displays, sell their goods, and depart. It may be a street devoted to the marketing of produce, in which case it is usually called a curb market. It may be a building, or several large buildings, with divisions or stalls leased or rented to producers or dealers. The buildings may be substantial business structures equipped with heat, light, refrigeration, and so on, or they may simply be open sheds serving merely as a protection from the elements.

The true public market is, as its name signifies, publicly or municipally owned, but the term is also applied to market places and plants privately owned. Market squares and curb markets are, of course, in nearly all instances true public markets.

Public market buildings are usually found in the larger cities in the eastern part of the United States, particularly along the Atlantic seaboard. Open market squares and curb markets are forms of public markets frequently found in middle-western cities and towns. Public markets are mainly found in medium-sized and larger cities, that is, cities of 25,000 population and up. However, many communities much smaller have market squares and well-established curb markets. In some cities public markets are declining in importance, and in others they are not only holding their own but apparently gaining. There are no adequate statistics indicating the volume of business transacted through public markets.

Expenses.—Cost of living investigations, wherever and whenever made, usually point to the public markets as a means of cutting the costs of goods to consumers. The writer has seen no adequate statistics of the actual costs of marketing through public markets. The expenses of marketing in this way, considered in relation to the volume of sales, are probably quite low, but any fair comparison of this method of marketing with other systems of distribution must take into consideration the amount of time consumed by producers and others who bring their products to the markets and offer them for sale, as well as the amount of time used up by consumers who come to markets to make their purchases. If the value of this time expended in the marketing operation is low, then the total costs of marketing through this method must be rated as very low. If, however, producers and consumers have other methods of utilizing their time which command a value, then the enormous amount of time of multitudes of people consumed in the public marketing function may well put the expense of this method of marketing up among those with the highest costs.

Advantages of Public Markets.—The advantages usually urged in favor of the public marketing system of handling consumer goods are the possibility of securing fresh goods from producers with a minimum of handling and at relatively low prices. A community with a public market has also the means, if it cares to use them, of exercising an effective control over weights, measures, purity of products offered for sale, retail prices, and other technical details affecting producers and consumers. The merchandise in public markets is usually sold for cash. Conditions vary with the seasons, but in large, well-established markets, consumers may have the privilege of selecting from a very wide variety not only of kinds but qualities of merchandise.

The public market is also an almost ideal means of dispos-

ing of surplus quantities of goods as well as goods of sub-standard qualities. In a market in which producers and consumers come into actual contact, variations from standard qualities may be discussed and transactions effected, whereas through the regular channels of trade where prices and practices are based upon standard qualities, sub-standard goods can scarcely be sold at all.

Perhaps the most important value of the public market is that it provides an outlet, always available, for producers, through which to sell their products, and an additional institution for consumers in which to buy their goods. Under present highly competitive conditions, such as found in most communities in the United States, this point is not very important, but in any community in which retailers reach a position of power and dominance over their market, the public market offers an effective means of competition and corrective of possible monopoly.

Disadvantages of Public Markets.—In actual practice, many of the advantages urged for public markets do not materialize in any important way. In the first place, the goods sold in markets, by and large, are not usually very much cheaper than the goods which can be obtained from private dealers. The fact that private dealers are able to sell as cheaply as goods are sold in the public markets would seem to indicate that the expenses of handling must be about as high in the markets as in regular retail stores. Furthermore, public markets are usually noisome places, and in some cases dirty, dusty, and full of flies and other insects.

The administration of the power of control over markets is sometimes very lax; poor weights and measures and the sale of poor qualities of goods are more likely to occur in the public market than in an established dealer's place of business. Much poor-quality food is distributed through nearly every public market. Misrepresentation of qualities often takes place.

Consumers who patronize markets must be keen in observation and trading to get their money's worth.

One of the chief drawbacks of public markets is their apparent inherent tendency to drift into the influence and control of professional traders. Unless express efforts are made to keep dealers out, they soon gain control of the stalls or better locations and conduct their business in the public market in the same way as if they were running a regular retail store. Along with the entrance of professional dealers in the public market arise the dangers of secret cooperation with politicians and the municipal government, together with the possibility of graft for special privileges obtained in the market.

Public markets usually, though not always, offer little or no service, such as credits or deliveries, to customers. Customers who come to the markets must carry their purchases away with them in their market baskets, or in their cars, if they shop that way. The trends in consumer demand the country over, are apparently away from the careful shopping required in dealing in public markets and also away from carrying purchases home in market baskets. Multitudes of customers no longer have time or care to make their purchases in this way. Furthermore, the trends toward small apartment living, kitchenette cooking, and increased patronage of restaurants are additional reasons for the decline in interest in public markets.

In the place of the old-time public market to which producers brought their goods there is now a fairly general tendency toward general retail food stores, actual food department stores in which all kinds of foods purchased by the consumers may be had under one roof. Such food department stores are, as already mentioned, frequently called public markets. They are to be found in many of the leading cities of the country and according to all reports are showing rapid growth. They include departments for the sale of fruits and vegetables, meats, fish, shell fish, dairy products, bulk and

package groceries. There are several institutions of this type such as S. S. Pierce in Boston, Charles in New York, McCann's of Pittsburgh, Peebles' of Cincinnati, Tiedtke's of Toledo, Kamper of Atlanta, Tebbetts & Garland in Chicago, Wolferman of Kansas City, Pillot & Henke in Houston, and Young's of Los Angeles, whose sales are in excess of $1,000,000 a year. The number and importance of this type of market is apparently growing at the present time.

10. **Roadside Markets.**—The enormous amount of automobile touring on the main highways throughout the country has been accompanied by the growth of roadside marketing. Farmers with surpluses of fruit and vegetables, eggs, poultry, and other farm products, who live on these main highways, were the first to set up exhibits of their produce at the roadside and to obtain profitable results therefrom. This is an important outlet for goods for farmers whose farms are favorably situated near highways.

Many roadside markets more recently developed are conducted by dealers who often buy their produce in the wholesale markets of the city, ship or haul it out into the country again and offer it for sale at the roadside markets. The marketing of agricultural products in roadside markets is, of course, a minor form of distribution and probably amounts to but a fraction of the total sales made to automobilists in the form of "hot dogs," soft drinks, confectionery, and lunches in roadside stands. What originally began as a form of marketing by producers direct to consumers has now been largely commercialized and carried on by middlemen.

11. **Car Peddling.**—Another method of marketing fruits and vegetables and other forms of farm produce, occasionally used by enterprising producers or dealers, is to gather up a carload of such products in the area in which they are grown, transport them to other communities where not grown but where they may be sold. Sales are usually effected directly

from the car to consumers who carry or transport the goods to their homes in their own way. The car peddler, on completing all possible sales in a community, may find that he still has a considerable part of his carload of merchandise remaining. This is then shipped on to the next town where the same sales process is continued, and so on from town to town until the carload is disposed of.

Car peddling saves handling of the produce. The railroad companies charge the car peddler so much per day in the form of demurrage charges for all days in which the car is held up after reaching its destination. This charge is, however, usually lower than the expenses of handling would be if the goods were removed from the car and stored and sold from a warehouse.

Car peddling is insignificant as a general method of marketing. The appearance of a car peddler in a small community has the effect, however, of upsetting the regular consumer demand of that community for a period of several days, if not weeks. In consequence, all dealers handling such goods in a regular way are very much opposed to the competition of the car peddler.

12. **Parcel Post Marketing.**—Parcel post has, at various times, been urged as a means of bringing producers and consumers into business relationships at a low expense to both parties. Following the passage of the U. S. Parcel Post Law in January, 1914, in which rates were fixed on a zone basis, that is, in accordance with the distance of shipment, much agitation occurred, particularly among all groups interested in the marketing of agricultural produce, urging the use of parcel post as an important means of distribution of farmers' products directly to consumers in the cities. Farmers' organizations pushed the idea. The U. S. Department of Agriculture was deeply interested, and attempted to help the movement by the publication of bulletins for free distribution among both farm-

ers and consumers on how to use the parcel post. The U. S Post Office Department likewise gave its cooperation by inducing postmasters in different parts of the country to have the post offices serve as clearing houses to help people desiring to market or to purchase goods by parcel post.

Considerable interest developed in this method of marketing during the years from 1914 to 1916. Many experiments were made on the marketing of such farm products as butter, eggs, poultry, fruit, and vegetables. Many difficulties surrounded these experiments because of lack of knowledge on the part of producers on how to grade and pack produce for this form of shipment. One of the earliest bulletins published by the U. S. Department of Agriculture was "Shipping Eggs by Parcel Post," Farmers' Bulletin 594. This was followed by others such as "Suggestions for Parcel Post Marketing," Farmers' Bulletin 793, published in 1916, and "Parcel Post Business Methods," Farmers' Bulletin 1922, published in 1918. In the period of the World War and in the years since that time the subject has apparently received little public attention. Parcel post is still used to a limited extent in marketing certain specialties, but it has not resulted in any noteworthy change in the volume of goods distributed, nor has it made any apparent differences in the costs of marketing.

Some of the difficulties of this method of marketing that have been found include the building up of lists of steady customers. It has not been easy to make the contacts between customers and producers willing to trade with each other on a basis of mutual confidence. Most of the parcel post business has at all times been confined to producers who have dealt with friends, relatives, or acquaintances in the cities. Business relationships among entire strangers are not easily effected. Other methods of securing customers, such as advertising and direct mail, have generally been found too expensive to be profitable. Trial orders secured as a result of such publicity are often never followed by any regular business.

Most of the difficulties of marketing by parcel post have arisen out of differences in opinions as to the qualities of the produce, fair prices, and methods of settlement. There have also been serious problems in effecting continuous sales by parcel post due to variations in production on the farms and to variations in wants of consumers in the cities. Very few, if any, producers are able to supply any type of farm products continuously throughout the year to consumers, and very few, if any, consumers desire to have produce in stated amounts delivered week in and week out throughout the entire year. These variations in supply and demand tend to upset the system.

Costs of suitable shipping containers constitute another expensive problem. In some cases empty cartons are returned to the producers, and in others they may be thrown away. The return of the container by parcel post adds to the difficulty of the consumer who ordinarily must carry the container to the post office and give the necessary shipping instructions for its return.

As a result of the experiments in parcel post marketing, the producers have discovered that consumers are not willing to pay such high prices for farm produce as may have been believed. Consumers in their turn have learned that the prices obtained by farmers for farm produce are usually higher than indicated by the vivid accounts sometimes published in the newspapers and magazines of the wasting farm produce awaiting a market at any price.

As a method of distribution, considering such factors as the time and expense in effecting business relationships, transportation costs, time and labor in returning shipment container, and so on, parcel post marketing probably offers no saving as compared with distribution through the regular channels. Undoubtedly, there are some advantages in parcel post marketing such as securing produce that is absolutely fresh and of a certain quality or grade. With the improvement of general transportation and distribution in farm produce,

the use of refrigeration, careful packing and grading of the products, and other similar steps, the importance of parcel post steadily declined.

The parcel post system is used to a very great extent by dealers in making deliveries to their customers. In some communities, as for example, St. Paul, Minn., some years ago, the private delivery systems of the department stores were given up and all deliveries to consumers from these stores were made by parcel post. Generally, however, the parcel post system is used merely as a subsidiary method of delivery to customers who cannot be reached more economically through the regular retail store delivery systems.

13. **Automatic Vending.**—Coin-operated automatic vending machines originated in Europe. Probably the first of such machines to be used in this country were imported from England in 1888 to sell Adams Tutti-Frutti Chewing Gum. Their use spread gradually in the years following. Penny-in-the-slot machines for dispensing Wankesha drinking water were extensively used at the World's Fair in Chicago in 1893.

Classes of Goods Sold.—For several years following their introduction, these contrivances were used principally to sell penny goods such as chewing gum, chocolate bars, candies of various kinds, peanuts, and so on. During the past ten years the use of automatic vending machines has spread to many new lines of goods including cigarettes, matches, postage stamps, paper drinking cups, handkerchiefs, toothbrushes, toothpaste, shaving creams, sanitary napkins, and other varieties of notions, toilet goods, and druggists' preparations. They are also used in change-making devices.

The penny-in-the-slot principle has also been very widely used in weighing machines, in so-called fortune-telling devices, and in various other types of amusement apparatus such as phonographs, moving pictures, games of chance, freak shows,

and automatic playing musical instruments ranging from player pianos to full orchestras.

The principle of automatic vending has also been applied in the sale of gasoline, soft drinks, grocery products, perfume, milk in school lunchrooms, in shoe polishing, photomatons, and gas meters. A well-known chain of popular restaurants known as "Automats," sells all foods by this process. A washing machine manufacturer arranges with apartment house owners to place laundry apparatus in the basements of such buildings to be available to the tenants and operated for a certain length of time, say thirty-five minutes, for 25 cents. Vending machines have also been devised for the sale of newspapers and magazines.

Application of electric refrigeration has improved vending apparatus so that food products, soft drinks, ice cream, and ice cream pies may be dispensed through such apparatus. A vending machine has even been equipped with talking apparatus so that when each sale is completed the customer receives a cheerful "Thank you." Any attempts on the part of the customer to use the wrong coins or counterfeit slugs is met by a short speech from the talking apparatus uttered in injured tones directing the erring customers, "Please use good coins only."

Extent of Use.—There are probably several hundred thousand automatic vending machines in use. One company alone, The Auto Sales Corporation, at the end of 1927 was reported as owning and operating 165,000 machines. There have been some outstanding mergers of several small companies producing coin-operated machines, but there are still said to be more than 200 such manufacturers in this country. If the progress made in producing and placing of automatic vending machines in 1927 and 1928 continues at the same rate, it has been estimated that there will be more than 1,500,000 machines in use by 1933.

Estimates of the total sales of merchandise through automatic vending machines have been made indicating a volume of about $25,000,000 in 1927. The rapid introduction of many new varieties of vending apparatus applied to new lines of goods throughout 1928 and 1929 has led to estimates that the sales volume for 1929 may be nearly double the 1927 figure.

Characteristics of Goods Sold by Automatic Vending.—On examination of the lists of items sold through automatic vending machines, it appears that certain characteristics are necessary to successful merchandising by this method. Goods that require salesmanship or personal service, selection of styles or sizes, matching of colors, fitting or consultation as to use, cannot readily be sold through automatic machines. Such goods must be sold by salespeople. Standardized goods of standard dependable qualities put up in standard-sized packages, small bulk, and standardized low prices are some of the conditions desirable to automatic vending. Perishable goods are not easily adaptable to general sale in vending machines, although soft drinks, ice cream pies, sandwiches, cakes, pies, and so on, are under certain conditions handled in this way. For ordinary distribution of perishable goods, vending machines are out of the question.

Goods to be successfully distributed through automatic vending machines must be self-selling. Machines cannot sell what cannot be sold by salespeople. Customers must know the goods and have absolute faith in them. Low-quality goods, or goods of variable qualities have no place in vending machines. Advertising and public goodwill are essential to success. Some of the best-advertised goods are by that fact best adapted to this form of selling.

Almost all of the earlier machines were constructed for the sale of penny and five-cent goods. The machines were known as "penny-in-the-slot machines" and "nickel-in-the-slot machines." More recently, vending machines have been applied to

the sale of goods at higher prices such as 10 cents, 15 cents, 25 cents, and even 50 cents. Beyond this sum it is impossible to go. No method has so far been devised making it possible to use paper money in slot machines.

Despite the improvements in automatic vending machines in the direction of their use in the sale of higher-priced merchandise, automatic vending of 1-cent and 5-cent products still continues to represent the bulk of the business. Fifty-cent pieces are scarce, so that, while automatic vending at this price is possible, it usually does not pay. Articles sold at 10 cents and 25 cents have a fairly wide sale and may continue to show increasing sales.

One of the main difficulties encountered in the sale of 10-cent and 25-cent goods through machines is the temptation they offer to the unscrupulous to use slugs rather than coins. It is very difficult to make automatic vending machines that will detect and eliminate such counterfeits. There is very little temptation to use counterfeit slugs in 1-cent or even in 5-cent machines, but on merchandise selling for higher prices the temptation grows rapidly.

Advantages of Automatic Vending.—The advantages of automatic vending from the standpoint of the consumer are:

1. Convenience of location. The machines may be placed at most suitable points without regard to considerations of sales personnel. Vending machines may therefore be successfully used in places where retail shops would be out of the question.

2. The service of a vending machine is immediate. There is no time lost in waiting for sales clerks, for change to be made, or packages to be wrapped. The customer can make his purchases in his own way and at his own time.

3. Vending machines make it possible to buy goods at any time during the day or night, on Sundays and holidays.

4. Vending machines provide a strictly cash and carry type of service at minimum costs of handling.

The advantages of automatic vending from the standpoint of the manufacturer or distributor are:

1. The elimination of sales clerks, cashiers, wrappers, the use of sales checks, cash register, or tube equipment, delivery, charge accounts, records, errors, spoilage due to handling, dishonesty, returns, and exchanges.

2. Automatic vending, when carried on within retail stores, releases costly salespeople for more profitable activity usually with customers requiring higher-priced goods or more personal service.

3. Automatic vending utilizes space that cannot always be put to other profitable use. Modern vending machines are attractive in appearance and therefore aid in improving such spaces.

4. It maintains merchandise in better state of preservation by eliminating all handling before sale. Display is secured by showing a sample through glass, which, while it may not be handled, may be studied at leisure by the customer.

5. Automatic vending machines prevent pilferage of merchandise.

6. Automatic vending machines give the customer ample opportunity to look before buying. There is no sales pressure from insistent salespeople.

Disadvantages of Automatic Vending.—The main difficulties of automatic vending are:

1. Its limitations as to the types of goods that may be sold in this way. These limitations are apparently gradually changing. A much wider variety of goods is now sold through machines than formerly, and it may be presumed that this trend will continue.

2. Automatic vending gives no opportunity for salesmanship. Its use leaves no possibility for the suggestion or comparison selling which is found very profitable in many types of retail stores.

3. The use of automatic vending machines is complicated by the efforts of dishonest people to manipulate them by means of slugs and spurious coins.

4. Finally, these machines must work perfectly and be fool-proof. The automatic vending machine that fails to operate quickly destroys the confidence of the public in this type of apparatus, whether the amount lost by the customer is a penny or half-a-dollar. Perhaps one reason for the slow development of the use of automatic vending machines in prices above a penny or 5 cents is the fear that if the money is deposited the machine may not operate properly.

5. There is also a curious human tendency to stick things, such as matches, leaves, tin foil, buttons, toothpicks, pins, paper-clips, and so on in vending machines. These, of course, quickly close up the slot and prevent its use in the sale of goods, and a clogged machine is a total loss to its owners.

The highest type of inventive ingenuity is required to produce a vending machine that will work infallibly and at the same time stand such abuse as indicated in the preceding paragraph. They must also automatically provide against taking the customer's money if merchandise cannot be delivered. In some states there are laws requiring that the customer's money must be returned if the merchandise has been sold out. The contrivance must also be made as safe from vandalism and robbery as possible.

Expenses of Automatic Vending.—While automatic vending reduces certain retail expenses, as indicated above, it must not be assumed that these eliminations represent clear gains. There are other expenses which must be charged against the gross profits obtained from the use of these machines. Most important among these expenses is the first cost of the machines which, according to type and use, may vary from $20 up to $500 or more per unit. No matter how perfectly constructed they may be, all machines so far devised require mechanical

attention, upkeep, and care. They must be restocked with merchandise and the money collected and counted. Rentals must be paid for the space occupied by machines. Accurate records of production of the machines is also desirable as a means of checking operations and placing them where they will produce the most profit. On low-priced goods selling for a penny, 5, or 10 cents, operators of automatic vending machines insist that they must have a gross margin of 50% of sales in order to make their use profitable.

The sales per machine vary enormously in accordance with its location and the kinds of goods handled. Penny machines in good locations should sell from 75 cents to $1 per week, but there are instances in which sales even through penny machines run as high as several dollars per day. Vending machines used for higher-priced goods such as cigarettes, candy, and soft drinks produce $10 and even more per day.

The average sales through slot machines are very much lower. In a recent statement[5] it is indicated that among such fast-selling products as chocolate nut bars, average sales in large operations do not amount to more than 8 or 10 bars per day. On slow-moving merchandise such as handkerchiefs or collar buttons, sales may not average more than 8 or 10 per week.

Vending machines are most frequently used in railway and other public service stations, in trains, on busy street corners, and within retail stores. Their use has spread very rapidly in drug stores and particularly in chain stores. Nearly all of the important chain systems employ vending machines for the sale of penny and 5-cent commodities to supplement the sale of similar goods through their regular sales organizations.

Automatic Vending Abroad.—Automatic vending machines have a very wide distribution in European countries as well as in the United States and Canada. They are specially

[5] J. H. Stevenson, Automatic Retailing Corp., in *Printers' Ink Monthly*, July, 1929.

favored in Germany and are widely used in England, France, Switzerland, and elsewhere. In Europe as well as in this country, automatic vending machines are used for the sale of confectionery, matches, and gum, weighing machines and catchpenny amusement devices. Slot machines are placed mainly in railway and subway stations, in bars, cafés, motion picture theatres, tobacco shops, and amusement parks. In Germany, automatic vending machines have been developed for the sale of railway tickets as well as other commodities already mentioned.

There is another type of coin-operated machine that has extensive use in many countries, namely automatic "wheels of fortune," chance games and gambling devices. Formerly these were widely used in America but are now largely restricted under anti-gambling ordinances and laws.

Methods of Distribution of Vending Machines.—Distribution of automatic vending machines is effected in various ways. Some concerns make and operate their own machines, merely leasing the spaces which the machines occupy. Other concerns make and lease machines either at a stipulated amount per month or for a percentage of the in-take. There are still other concerns that make and sell automatic machines which may in turn be used for vending any type of merchandise which the buyers may desire. There is also a wide distribution of vending machines by manufacturers of certain commodities who supply the machines either without charge or at low cost to retail dealers on the condition that they are to be used solely in the vending of the specific goods offered by the manufacturer.

The use of vending machines is spreading in all directions. Altogether, the automatic vending machine has come to occupy an important place in the distribution of certain classes of goods at retail.

CHAPTER XII

PRESENT STATUS AND TRENDS OF RETAILING IN THE UNITED STATES

Authoritative, general statistical information on the retail trade in this country is not available, but certain details collected in isolated instances can be found. From such fragmentary studies a fair picture of the retail business can be constructed.

Report of Massachusetts Bureau of Labor Statistics, 1899.—The first public survey of the retail business made in this country, so far as is known, was prepared in Massachusetts in 1899, and published as a part of the report of the State Commissioner of the Bureau of Statistics of Labor on "Changes in Conducting Retail Trade in Boston since 1874." The investigation upon which this report was based was undertaken to determine the effect of the increase in number of department stores on the rest of the retail trade.

The people of Massachusetts, in common with the people of several other states, were at that time much agitated by the rapid growth of department stores, and feared that they might swallow up all of the retail trade. This was a period of great anxiety over the growth of trusts and big business. Several states were considering the advisability of legislation against department stores and such a bill was introduced before the Massachusetts Legislature during the session of 1899 and 1900.

The report of the Bureau of Statistics of Labor gave a very comprehensive account of retailing in Massachusetts and the position occupied by department stores in the retail system. The conclusion of the report was, quite reasonably, that there

was no reason to believe that the department stores would crowd the small stores out of existence.

Massachusetts Trade Census, 1905.—The first retail trade census in the United States was also taken in the State of Massachusetts according to a law enacted in 1904 and as a part of the regular decennial Census taken in 1905. Nearly every State in the Union takes a periodical census, but this was the first and, so far as is known, the only instance in which a state census has included retail trade.

The Massachusetts Census of Trade included statistics of the number of establishments classified into retail, wholesale, jobbing, commission, exporting and importing, when these stores were established, the number of owners, partners, and stockholders, the capital invested, value of goods sold, the number of wage-earners, the wages paid per week, the number of salary earners, and the salary paid per week.

That phase of the census dealing with wage and salary conditions in the Massachusetts report was excellent, but no effort was made to distinguish among the various kinds of retail stores according to the lines of goods handled, so that nothing but a total figure representing the volume of sales and covering all lines of goods was presented.

Some of the more interesting results which were shown in the Massachusetts Census of 1905 may be noted. Over half of the retail concerns in existence in 1905 had been established within the ten-year period preceding the census. There were 10 retail firms, however, out of a total of 2,945, which had been founded before 1770. There were 12,441 stores which sold food products. The average investment in each of these stores was $2,489, and the average annual sales $14,569. There was one food store for every 241 people in the state.

Pennsylvania Annual Reports of Mercantile Business.—Annual figures indicating the total volume of retail volume are available in one state, Pennsylvania. Under a law passed in

1899, an annual business tax is levied on the sales volume. In consequence, each retailer as well as wholesaler in the state must report annually under oath his total volume of net sales, on which he is required to pay a sales tax. The State Department of Internal Affairs compiles the statistics of retail trade showing the number of concerns and the total volume of trade by counties. These figures are not very helpful except as a guide to the trend of total retail sales in relation to population. In so far as the State of Pennsylvania may be considered typical and representative of the entire United States, annual purchases in retail trade either upwards or downwards in relation to population, may be of value in estimating similar retail trade trends throughout the entire country. The totals reported in Pennsylvania for 1920 to 1927 were as follows:

Year	Per Capita Purchases at Retail	Number of Retailers	Volume of Retail Business
1920	$231.98	138,178	$2,022,902,290
1921	286.27	149,414	2,496,236,250
1922	257.35	154,003	2,244,092,224
1923	274.39	156,434	2,392,694,915
1924	310.27	168,471	2,705,549,710
1925	293.44	169,556	2,734,193,620
1926	303.46	176,451	2,827,504,880
1927	321.20	184,497	3,027,167,190
1928	319.40	190,710	3,010,213,230

Federal Reserve Index of Retail Trade.—Another source of information on the extent and trends in retail trade is the Federal Reserve reports on retail trade. The Federal Reserve Board, through its twelve district banks, began collecting statistics of retail trade in 1919, using figures secured directly from local stores in each district. Statistics of sales and stocks were sought and obtained from department stores. Chain store systems and mail order houses supplied sales only.

These statistics were obtained from only a few retail es-

tablishments at the start, but the number has been added to from time to time so that at the present writing a very fair sampling of each class of business is obtained. These statistics have been utilized in the preparation of an index number which is taken to represent trends in retail trade. By August, 1928, the Federal Reserve system had been successful in securing regular reports for the year 1927 from 560 department stores in 250 cities, with total annual sales over $2,000,000,000; 34 grocery chains with 29,433 stores and $1,359,371,361 in sales; 14 5 and 10 cent chains with 2,944 stores and $560,773,589 in sales; 5 apparel chains with 1,080 stores and $198,672,838 in sales; 13 drug chains with 938 stores and $120,222,701 in sales; 4 cigar chains with 3,471 stores and $110,119,595 in sales; 7 shoe chains with 625 stores and $43,183,331 in sales; 4 candy chains with 269 stores and $32,717,017 in sales; and 4 mail order houses with $562,765,581 in sales. These statistics are set up and presented to the public through the press monthly. They supply the best guide to changes in retail trade conditions that are available. Table 20 shows the Federal Reserve index and its trends by years from 1919, the year of its establishment, down to 1928.

TABLE 20. FEDERAL RESERVE INDEX OF RETAIL TRADE, 1919–1928
(100 = 1923–1925 average)*

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928
Department stores	78	94	87	88	98	99	103	106	106	108
Chain stores:										
Groceries	45	66	59	69	85	97	118	143	174	208
5 and 10 cent	53	64	66	74	88	99	113	125	138	150
Wearing apparel	36	52	59	64	83	98	119	149	189	225
Drug	64	78	79	82	93	98	109	126	143	166
Cigar	72	96	95	93	98	100	102	111	110	107
Shoe	76	91	86	86	93	101	106	113	115	125
Candy	53	73	75	77	93	101	106	114	119	125
Mail order houses	93	96	67	73	92	98	110	115	120	137

* Up to the end of 1927, the sales for 1919 were taken as the basis of 100. Beginning in 1928, the Federal Reserve Board changed its basis so that the average monthly sales for the three years, 1923–1925, were taken to equal 100.

The chief criticisms of the Federal Reserve statistics, if criticisms they may be termed, are, first, that the number of retail stores making monthly reports may not be large enough to supply a fairly adequate sample of what is going on in the entire American retail business. Second, there are no statistics for the individual lines of specialty goods such as groceries, drugs, hardware, shoes, apparel, and so on, other than those presented in the chain store figures.

Supplementary figures on wholesale trade, also presented by the Federal Reserve system, throw some light on the volume of distribution by merchandise lines through independent retailers. This will be discussed in a later section.

A third criticism of the Federal Reserve figures is that there is a strong probability that the stores reporting to the Federal Reserve system are generally the more successful institutions rather than those having difficulty with competition and in keeping their places in their respective communities. If this assumption is correct then it follows that the Federal Reserve index presents a picture of retail trade change rather more favorable than the average of actual conditions.

Fourth, the index of department store sales is weakened somewhat because of the fact that certain large and very influential concerns, it is understood, do not give their figures to the Federal Reserve banks at all.

Finally, the practice of holding special sales in department stores tends to throw the index for individual districts on any specific months considerably out of line. A gain in volume for any given month represented in the index is very often the result of a special sale in one or more stores. The effect is, of course, an abnormal stimulation of consumer demand.

In addition to the indexes of total sales and total stocks in department stores, the Federal Reserve also accumulates information on sales and stocks by detailed merchandise departments. Sales and stocks are reported each month in terms of comparison with the same month of the preceding year by

each of the twelve Federal Reserve districts and, in addition, are combined to form an average for the entire country.

From these tabulations it is possible to determine, so far as accuracy of the indexes permits, changes in sales trends and conditions of stock by major merchandise classifications in the department stores of the country. The main outlines of fashion changes may thus be effectually traced.

TABLE 21. FEDERAL RESERVE INDEX OF WHOLESALE TRADE, 1919–1928
(100 = 1923–1925 average)

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928
Groceries (362 firms)	118	126	93	93	100	101	99	98	94	95
Meats (61 firms)	145	121	80	83	94	96	110	115	108	113
Dry goods (146 firms)	100	107	91	89	103	97	100	94	89	85
Men's clothing (13 firms)	78	106	72	80	99	98	103	95	92	91
Women's clothing (40 firms)	93	95	84	90	109	97	94	70	68	62
Boots and shoes (89 firms)	140	125	99	97	104	98	98	101	104	98
Hardware (186 firms)	96	116	80	86	102	97	101	100	95	93
Drugs (92 firms)	91	95	86	87	97	99	104	107	108	113
Furniture (87 firms)	.....	.....	73	85	102	93	105	102	100	99
Total, 1,076 firms.. Total sales, 9 lines	110	114	87	89	101	98	101	98	95	94

Wholesale Trade Index an Indication of Volume Trends in Independent Stores.—The various Federal Reserve indexes show clearly the trends of trade in all the principal types of retail stores excepting the individual or independent stores. There are no figures indicating just what is happening among these. The Federal Reserve Index of Wholesale Trade from 1919 to 1928, summarized in Table 21, shows for a limited number of firms for each of 9 varieties of wholesalers what the past and present trends are. The Index of Wholesale Trade

as represented in this table may be helpful in estimating the trends of trade in independent stores that buy most of their goods from wholesalers rather than directly from manufacturers.

The value of the Index of Wholesale Trade for the purpose of checking trends among independent retailers is minimized somewhat by the fact that wholesalers, very generally, particularly the larger ones, sell to chain stores and department stores as well as to independent, individual stores. There is no information available to indicate the extent of sales made to these special classes of retail stores. It probably varies greatly from concern to concern. It is believed, however, that a high percentage of the sales of wholesalers, the country over, is made to independent retailers. If this assumption is correct then the index figures provided by the Federal Reserve system may be interpreted as indicative of the trends of trade among independent retailers.

The sale of groceries among 362 wholesale grocery firms during the period from 1919 to 1928 followed an irregular up-and-down movement but, in the main, suffered a definite decline after reaching a peak in 1920.

The wholesale volume of the meat business, as reported by 61 firms, also suffered a decline, although some part of the losses occurring in 1921 and 1922 has since been regained.

Dry goods has suffered a decline in wholesale sales, as has also women's clothing.

Men's clothing, boots, and shoes and furniture have had an irregular sales movement from year to year without any definite tendency downwards, while the sale of drugs as reported by 92 firms has moved upwards during the period from 1919 to 1928.

Total wholesale sales for the 9 lines represented in the Federal Reserve figures indicate a fairly definite decline amounting to from 10% to 15% in the period from 1919 to 1928.

United States Census of Occupations.—The United States Census has never taken account of the retail trade of the country except to enumerate the number of persons engaged in the occupations of retailing. The statistics of occupations, however, offer an interesting side line on the development of retail trade not only as a whole, but also by specific lines. Comparisons of the census of occupations of one census year with preceding years is very interesting as an indication of social and business changes but there is, as has been pointed out by the director of the Bureau of the Census, considerable danger in making deductions too literally because of the lack of uniformity in classification of the occupations having to do with trade. For example: wholesale merchants were not separated from retail merchants until 1890, retail salespeople were counted as clerks and copyists up to 1890. In the censuses preceding 1910, no attempt was made to classify retail dealers in any detail. For example, in 1900 over 364,000 dealers out of a total of 790,000 were simply lumped together as not specified.

The Census of Occupations for 1910 and 1920 are, however, much more nearly comparable than any figures preceding and it is believed that from these reports a fairly accurate indication may be found as to the total number of retail dealers by lines of merchandise handled. The number of retail dealers, of course, does not correspond to the number of retail stores. In the census enumeration, two or more partners conducting a single retail business would be counted as separate retail dealers, and similarly a single dealer owning more than one store would be counted only once in the census. Whether these two classes counterbalance each other it is impossible to state, but judging from compilations of retail stores made from such works as Dun's and Bradstreet's credit rating books, it appears that the total number of persons enumerated as retail merchants and dealers corresponds fairly closely to the number of retail stores in existence at the time the census was taken.

TABLE 22. NUMBER OF RETAIL DEALERS IN THE UNITED STATES

(From U. S. Census of Occupations.)

Dealers by Lines of Trade	1920	1910	1920 % Gain or Loss over 1910
Agricultural implements and wagons	7,789	8,518	− 8.6
Art stores and artists' materials	2,046	2,370	11.2
Automobiles and accessories	28,768	4,597	525.0
Bicycles	2,221	1,532	45.0
Books	3,035	3,118	− 2.7
Boots and shoes	22,544	19,346	16.5
Butchers and meat dealers	122,105	124,048	− 1.6
Buyers and shippers of grain	7,305	11,535	− 36.7
Buyers and shippers of livestock	30,464	32,516	− 6.3
Buyers and shippers of other farm produce	10,540	6,864	53.6
Candy and confectionery	40,091	29,538	35.5
Cigars and tobacco	19,141	17,728	8.0
Carpets and rugs	1,132	1,238	− 8.4
Clothing and men's furnishings	46,653	35,273	32.2
Coal and wood	26,556	24,466	8.5
Coffee and tea	5,044	5,351	− 5.8
Crockery, glassware, and queensware	1,618	2,508	− 35.5
Curios, antiques, and novelties	3,353	2,735	22.6
Delicatessen stores	4,333	3,031	43.0
Department stores	11,752	8,970	31.0
Drugs and medicines, including druggists and pharmacists	80,157	67,575	18.6
Dry goods, fancy goods, and notions	63,909	65,283	− 2.1
5 and 10 cent and variety stores	5,968	4,331	37.8
Florists (dealers)	5,746	2,934	95.9
Flour and feed	9,309	9,469	− 1.7
Fruit	23,385	19,000	23.1
Furniture	26,013	22,209	11.7
Furs	4,789	2,280	110.0
Gas fixtures and electrical supplies	4,420	1,526	190.0
General stores	80,026	88,059	− 9.1
Groceries	239,236	195,432	22.4
Hardware, stoves, and cutlery	41,144	39,663	3.7
Harness and saddlery	2,706	7,541	− 259.0
Hucksters and peddlers	50,402	80,415	− 37.3
Ice	8,203	7,361	11.4
Jewelry	21,433	29,962	− 28.4
Junk	22,749	15,219	49.5
Leather and hides	4,350	2,475	75.7
Lumber	27,687	27,250	1.6
Milk	13,104	14,694	− 10.8
Music and musical instruments	7,909	5,222	51.5
Newsdealers	8,474	7,075	19.8
Oil, paint, and wall paper	6,577	6,818	− 3.5
Opticians	12,632	6,284	101.0
Produce and provisions	34,473	29,630	16.3
Rags	2,024	1,975	2.5
Stationery	5,951	5,823	2.2
Other specified retail dealers	52,681	38,612	36.4
Not specified retail dealers	65,728	45,621	44.1
Total	1,328,275	1,195,029	11.1

Table 22 presents the essential facts of the censuses of 1910 and of 1920 as to the number of persons engaged in retail trade.

From the table showing the number of retail dealers in the United States according to the United States Census of Occupations, it will be seen that there are 49 classifications of retailers, including two general classes, "other specified retail dealers" and "not specified retail dealers." The total number of retailers gained 11.1% in the period from 1910 to 1920, but during the same period general population gained 15%, so that the number of retailers did not keep apace with the increase in general population.

The Census of Occupations for the preceding ten-year periods furnished an interesting bit of information as to the relation of retail trade to total population. While the statistics of the number of retail dealers are admittedly imperfect, as for example, inclusion of wholesalers with retailers up to 1880, still the general trend of the retail business, as indicated by the number of retail dealers, is revealed.

TABLE 23. RELATION OF NUMBER OF RETAILERS TO TOTAL POPULATION IN THE UNITED STATES BY CENSUS YEARS

	Total Population in Millions	No. of Retail Dealers *	No. of Dealers per 1,000 Population *
1850	23	174,000	7.56
1860	31	268,000	8.64
1870	39	358,000	9.18
1880	50	479,000	9.58
1890	63	691,000	10.97
1900	76	833,000	10.96
1910	92	1,195,000	13.00
1920	106	1,328,000	12.53

* Wholesalers included with retailers for censuses from 1850 to 1880 inclusive. Separate classification of retailers and wholesalers made for the first time in the Census of 1890.

Table 23 shows the relation of the number of dealers to population by census years from 1850 to 1920.

From the table just presented it will be seen that the num-

ber of retailers per 1,000 population increased progressively from 1850 down to 1890. In 1900, the number of dealers in relation to population as compared with 1890 remained practically stationary, but in 1910 there was a gain over both preceding census years pointing to a continuation of the trend of increase in the number of retailers noticeable throughout the preceding fifty years. In 1920, there was a slight decline in the number of retailers in proportion to population as compared with the number in 1910. It remains to be seen, when the 1930 census is taken, whether the decline occuring in the census of 1920 represents an actual tendency of decline or merely an accidental or temporary check in the growth of the number of retailers.

Of the 47 specified classes of retailers enumerated in the Census of 1920, 16 classes showed actual declines compared with the numbers enumerated in 1910, while 31 classes increased. The declines and increases in numbers of retailers as shown by the census point graphically to the changes in business and in public demand during this period.

Harness and saddlery dealers, as well as feed dealers, declined for the reason, obviously, that the use of horses was giving way to automobiles. In the same period of time the number of automobile dealers multiplied six times.

Buyers and shippers of livestock, milk dealers, and retailers of agricultural implements also declined, mainly because of the tendency to consolidation of many producing companies and the elimination of retail dealers and agencies as outlets for these products.

Jewelry retailers suffered a remarkable decline from 30,000 to 21,000 due largely, it is believed, to changes in fashion that occurred during the period of the World War, which reduced the use of jewelry for both men and women. Such jewelry as found a sale in 1920 was also largely distributed through department stores, mail order houses, and even the variety and 5 and 10 cent stores.

Book dealers, as all authors and publishers must regret, also declined, probably due to the increased volume of sales in this line by department stores. The decline in numbers of dealers in carpets and rugs, coffee and tea, crockery and glassware were also probably due to the expansion of the department stores in these lines and the inability of small retailers to compete successfully.

Another noticeable decline was in the number of hucksters and peddlers. This decline may perhaps be explained by the high rate of employment occurring in the early part of 1920 at the time the census was taken. Peddling is a function to which many people flock when other employment is not available and which many people leave when there is opportunity in other regular work. If this explanation is correct, then it may be assumed that when the depression which occurred a few months later took effect it is likely that the number of hucksters and peddlers increased again very much over the figures shown in the census.

Among the increases in numbers of retailers, attention has already been called to automobile and accessory dealers whose number multiplied six times in the ten-year period. Other large increases in numbers were shown by confectioners representing the increased consumption of sweets during the latter part of the period, by druggists representing the expansion of this branch of retailing into new lines such as cigars and cigarettes, soda fountains, luncheonettes, toilet goods, and novelties of many kinds. It is possible that the increase in drug stores may in part have been due to the elimination of saloons caused by the enforcement of the Eighteenth Amendment and the Volstead prohibition act.

The increase of over 40% in delicatessen dealers as against a 15% increase in population is strong testimony of the changes in ways of living taking place, particularly among city families, in this period. Opticians and furriers more than doubled while dealers in electrical goods tripled. Radio had not yet

become a popular diversion at the time the census was taken in 1920. At the next census in 1930 we are certain to have a classification showing a large number of vendors of wireless apparatus.

Department store dealers increased from 8,970 in 1910 to 11,752 in 1920, or 31%. This is an increase that is difficult to explain on any other basis than that many dry goods and general merchandise stores in 1910 had changed to department stores by 1920. This view is supported by the fact that general merchandise dealers dropped from 88,059 to 80,026 and dry goods dealers from 65,283 to 63,909. It is quite certain that many of those lost in these two classifications were counted in 1920 as department store dealers.

Lack of any enumeration of retail dealers since 1920 makes it impossible to present anything but estimates of the number of retail dealers in this country since that date. It is probable, in view of the general prosperity of the country and the growth of population, particularly in the cities, that the number of retail stores has increased considerably. The chain store movement has, however, had the tendency to reduce the number of owner-operators. Just how this movement will affect the U. S. Census of Occupations total of retailers in 1930 is not easy to predict. It is fairly certain however, that the number of retail stores will be in excess of 1,500,000.

The U. S. Census of 1920, as indicated above, presented figures showing the number of retail merchants and dealers, but classifications of occupations, as affecting retailing, were so inadequately worked out that it is difficult to determine how many people were engaged in the retail business.

There were, according to the 1920 Census of Occupations, 1,328,275 retail dealers distributed among 47 definitely named classes and 2 others generally grouped under "Miscellaneous." In addition to the dealers, there were 413,918 "clerks in stores" and 1,177,494 "salesmen and saleswomen," 125,007 laborers, operators, and helpers in stores, 26,437 floor walkers, foremen,

and overseers, 170,235 delivery men, 8,853 decorators, drapers, and window dressers, 113,022 messengers, bundle and office boys and girls, probably half of whom were employed in retail stores. The total of these groups amounts to 3,363,241.

The modern store, however, employs many other classes of people not included in the classifications named in the foregoing paragraph. No separate classifications are made by the Census for persons in the retail trade who are accountants, stenographers, advertising writers, elevator operators, restaurant and lunchroom employees, janitors and cleaners, launderers and laundresses, barbers, hairdressers and manicurists, doctors, nurses, and welfare workers, detectives, and comparative shoppers. There is not even an enumeration of retail store buyers as such.

Then there are the numerous classes of employees engaged in the workrooms and alteration departments that form a part of nearly all large retail establishments selling apparel of all kinds, as well as jewelers, watch repairers, engravers, mechanics, painters, paper-hangers, cigar makers, cobblers, boot-blacks, upholsterers, etc. Certainly there are at least 100,000 employees of retail stores of these classifications, making the total engaged in the retail trade not less than 3,400,000

A number of border-line occupations might perhaps be counted as retailing. There are nearly 25,000 bakers in the country who sell at retail, but the Census counts bakers as manufacturers. Are the 28,000 newsboys retailers? Are the 25,000 undertakers retail dealers? Are movies and theatres retail institutions? Should barber shops be counted as retail places of business? What about the 150,000 odd real estate offices? And so on.

Even with the doubtful classifications omitted, it is clear that the total number of people engaged in the retail trade in 1920 was more than 3,400,000.

A comparison of the number in retailing with the numbers

engaged in the other leading occupations will show the relative importance of retailing to our national economic life. The number of people engaged in the leading occupations in 1920 were as follows:

Manufacturing	12,818,524
Agriculture	10,953,158
Retailing	3,400,000
Transportation	3,063,582
Professional	2,143,889
Mining	1,090,223
Public service	770,460

It will be seen from the above that retailing ranked third in order of importance from the standpoint of the number of persons employed.

Statistics from Mail List Concerns.—Unfortunately for our analysis of the present situation in the retail trade, the United States Census of Occupations offers no light on the other classifications of retail trade. Some light on the numbers of retail stores by types may be gained, however, from the information compiled by concerns selling mailing lists of dealers. For example: from such concerns as Boyd's City Dispatch, Buckley, Dement & Company, W. S. Ponton Company, and others, it appears that there are over 5,000 department stores of all ratings, but that of these there are only about 1,200 that are rated above $125,000, 408 over $500,000, and 216 over $1,000,000, based on Dun's and Bradstreet's credit ratings. There appear to be not less than 5,000 chain store systems in the country with a total of over 100,000 retail units. There are not less than 1,300 mail order houses of various kinds and sizes throughout the country, including concerns with mail order departments and doing a business of at least $100,000 a year or more. There are listed nearly 400 regular mail order houses of which 35 are large concerns. It has been estimated that there are about 8,000 company or commissary stores and probably about 3,000 consumers' cooperative stores in the country as of January 1, 1928.

United States Trial Census of Distribution in 11 Cities, 1927.—It is likely that the United States Census of 1930 will contain a great deal more information about retail trade than has ever been collected in any previous census. For a number of years there has been an insistent demand for more authoritative information on the distribution of goods. In 1925, the Chamber of Commerce of the United States authorized a study of distribution which was carried through by a series of conferences during 1925 and 1926.

Out of these conferences grew a demand that the government should take a regular census of distribution as well as of production. Since the regular census year would not come until 1930, it was agreed to make some trial or sample enumerations which would give the Bureau of the Census experience that would be helpful in the more general enumeration to be started in 1930.

There followed during 1927 such enumerations by the Bureau of the Census in cooperation with the Chamber of Commerce of the United States in 11 cities including Atlanta, Baltimore, Chicago, Denver, Fargo, Kansas City, Providence, San Francisco, Seattle, Springfield (Illinois), and Syracuse. While the census was taken in 1927, all figures were for the year 1926. These sample censuses covered both wholesale and retail trade. Detailed information was secured about nearly 94,000 retail establishments having a volume of retail sales amounting to 4,224,000,000.

Some of the most significant findings of this sample census follow:

Of the total number of retail establishments, 15.1% were chain stores and 84.9% independents, but 28.7% of the total business was done by chains and 71.3% by independents.

Twenty-seven per cent of all of the independently owned retail stores enumerated, or a total of 22,000 stores, had sales in 1926 of less than $5,000, or an average of only $44 a week, less than $8 a day.

The total volume of these 22,000 stores amounted to but 4% of a total of nearly 80% of the independent retailers who have an annual volume of less than $25,000 per year and who do only 15% of the total volume of retail trade. On the other hand, 40 stores out of the total number enumerated secure 16½% of the total business, averaging more than $10,000,000 a year each. About two-thirds of the entire volume of business done by independent stores is secured by only 5% of such stores. The large proportion of small retail stores was an outstanding fact in each of the 11 cities as was the large proportion of the total business done by a few large stores.

Chain stores report sales amounting to 28% of the total retail trade in the 11 cities with only 15% of the total number of stores. In individual cities the percentage of chain store sales ranged from 6.3% in Fargo, N. D., to 37.1% in Chicago. The high percentage of total business shown by the chains in Chicago raises the total percentage of chain business for the 11 cities considerably, for only one other city, Atlanta, Ga., showed more than 30% chain store volume. The remainder ranged from 22.6% down to 14.8%, except Fargo which had only 6.3%. The larger cities have the higher chain store percentages.

The sample census enumerated 46 different kinds of stores according to goods handled and 80 classes of commodities. In some lines in these 11 cities, chain stores sales bulk very high. In the sale of gasoline chain organizations handle nearly three-fourths of the entire volume. In the variety goods lines, such as handled by the 5 and 10 cent stores, chains likewise sell nearly three-fourths of the total volume. Over one-half of the shoes, including both men's and women's shoes, are sold by chains; between 40% and 50% of dairy products, eggs, and groceries are sold by chains; from 30% to 40% of automobiles, tobacco products, furniture, and house furnishings and millinery are sold through chains, and from 20% to 30% of all the coal, wood, and ice, confectionery, ice cream, soft drinks, drugs,

electrical goods, music, radio supplies, sporting goods, and leather goods are sold through chains.

Department stores enjoy about 15% of the total retail trade, while independent stores of other types secure 57% of the total volume in these 11 cities.

Great variations appear in the average amount of business done per store in the various cities, thus, shoe stores have an average sale of $28,000 in Baltimore but $70,000 in Kansas City. In all cities the average sales per chain store ran higher than the average sales per independent store in the same lines.

Disregard of all usual channels of distribution seems to be a common rule as shown by this census. Tobacco products and smoking supplies were sold not only in cigar stores but also in drug stores, candy stores, grocery and delicatessen stores, gas stations, department stores, general merchandise stores, restaurants, soft drink establishments, automobile accessory shops, bakeries, toy shops, shoe stores, men's furnishing stores, dry goods stores, fruit and vegetable stores, hardware stores, meat shops, and music shops. Grocery stores sell women's hosiery, shoe stores sell hats and caps, hardware stores sell books and stationery, and cigar stores sell men's furnishings. Men's furnishings are sold through 18 classes of establishments, furniture is sold through 19 different kinds of stores, women's outerwear is sold through 17 outlets, and boots and shoes are sold through 15 different kinds of stores.

While the trial census reports compared the retail volume with the estimated population of the cities in which the census was taken, it is probable that this comparison is of little value except in such products as are almost invariably purchased by consumers close at hand. Thus, the per capita purchases of groceries, meats, dairy products, and eggs are probably fairly representative of the extent of consumer demand in the cities in which the census was taken. But the sales of clothing, home furnishings, and automobiles can hardly be credited completely to the population in these 11 cities. All of these cities,

TABLE 24. SALES AND NUMBER OF ESTABLISHMENTS CLASSIFIED BY KIND OF BUSINESS FOR 11 CITIES

Kind of Business	Total All Stores		Independent Stores		Chain Stores	
	Number of Establishments	Sales	Number of Establishments	Sales	Number of Establishments	Sales
Art and antique	508	$ 11,952,600	485	$ 11,237,000	23	$ 715,600
Automobile	1,018	295,530,500	762	203,004,100	256	92,526,400
Automobile accessory	2,077	61,812,400	1,907	49,891,900	170	11,920,500
Bakery	2,666	63,963,900	2,418	56,674,300	248	7,289,600
Boot and shoe	2,030	91,546,500	1,475	44,116,300	555	47,430,200
Building material	976	151,985,000	809	129,077,800	167	22,907,200
Cigar and tobacco	3,280	50,218,800	2,900	32,378,100	380	17,840,700
Clothing and furnishing, men's ready-to-wear	2,834	152,488,400	2,485	123,541,700	349	28,946,700
Clothing, women's	1,672	144,028,300	1,426	121,548,300	246	22,480,000
Coal, wood and ice	1,303	89,859,100	1,153	64,532,100	150	25,327,000
Confectionery, ice cream and soft drinks	6,677	64,814,300	6,289	46,842,600	388	17,971,700
Custom tailors	1,602	46,135,800	1,572	40,698,300	30	5,437,500
Dairy and poultry products	577	70,971,100	514	39,745,000	63	31,226,100
Department	125	616,489,700	108	412,918,200	17	203,571,500
Drug	4,397	155,892,200	3,876	109,348,300	521	46,543,900
Dry goods and notions	3,292	89,835,700	3,105	82,437,400	187	7,398,300
Electrical appliance and supply	750	37,975,100	679	26,852,600	71	11,122,500
Florist	1,016	22,402,900	950	19,390,400	66	3,012,500
Fruit and vegetable	2,706	36,187,500	2,280	32,743,700	426	3,443,800
Fur and fur clothing	354	21,594,000	326	19,179,000	28	2,415,000
Furniture and housefurnishing	2,844	205,357,100	2,458	137,957,000	386	67,400,100
Gasoline and oil	4,135	137,352,300	2,215	36,456,900	1,920	100,895,400
General	75	4,562,700	64	3,209,200	11	1,353,500
Grocery and delicatessen	20,886	488,509,000	16,500	286,767,800	4,386	201,741,200
Hardware	2,472	81,798,200	2,111	74,289,900	361	7,508,300
Hat and cap, men's and boys'	255	7,506,200	169	3,625,800	86	3,880,400
Hay, grain and feed	201	12,734,300	188	11,899,900	13	834,400
Jewelry	1,370	56,863,200	1,291	47,065,000	79	9,798,200
Junk	188	4,508,800	186	4,500,800	2	8,000
Meat, poultry and fish	5,712	169,912,100	5,222	145,708,900	490	24,203,200
Millinery and artificial flowers	1,107	22,136,800	881	13,973,800	226	8,163,000
Motorcycle and bicycle	118	1,612,700	114	1,540,800	4	71,900
Musical instrument and sheet music	555	36,465,800	479	26,530,400	76	9,935,400
Office equipment	439	42,176,600	401	36,521,700	38	5,654,900
Optical goods	252	8,439,000	230	7,029,100	22	1,409,900
Paint, oil, varnish and glass	577	17,305,200	547	14,594,700	30	2,710,500
Photographic supply and camera	107	2,157,400	97	2,015,700	10	141,700
Plumbing and heating fixtures and supplies	719	33,614,900	648	30,558,200	71	3,056,700
Radio	371	12,206,800	329	9,691,800	42	2,515,000
Restaurants	8,350	269,187,300	7,328	178,641,400	1,022	90,545,900
Sporting goods	151	5,047,600	128	3,889,700	23	1,157,900
Stationery, book, magazine, paper and paper goods	1,061	37,584,700	893	31,940,100	168	5,644,600
Toy and game	81	1,370,000	79	1,346,500	2	23,500
Trunks and leather goods	320	9,788,700	290	7,635,100	30	2,153,600
Typewriters and calculating machines	169	14,305,000	163	13,440,100	6	864,900
Variety	365	56,979,400	164	16,686,100	201	40,293,300
Unclassified	1,188	208,943,500	1,084	197,416,800	104	11,526,700
Total	93,928	$4,224,109,100	79,778	$3,011,090,300	14,150	$1,213,018,800

TABLE 25. AVERAGE SALES PER ESTABLISHMENT CLASSIFIED BY KIND OF BUSINESS FOR 11 CITIES

Kind of Business	Average Sales per Establishment		Number of Establishments (% of Total)		Sales (% of Total)	
	Independent	Chain	Independent	Chain	Independent	Chain
Art and antique	$ 23,169	$ 31,113	95.5	4.5	94.0	6.0
Automobile	266,410	361,431	74.9	25.1	68.7	31.3
Automobile accessory	26,163	46,591	91.8	8.2	80.7	19.3
Bakery	23,439	29,394	90.7	9.3	88.6	11.4
Boot and shoe	29,909	85,460	72.7	27.3	48.2	51.8
Building material	159,552	137,169	82.9	17.1	84.9	15.1
Cigar and tobacco	11,165	46,949	88.4	11.6	64.5	35.5
Clothing and furnishing, men's ready-to-wear	49,715	82,942	87.7	12.3	81.0	19.0
Clothing, women's	85,237	91,382	85.3	14.7	84.4	15.6
Coal, wood and ice	55,969	168,847	88.5	11.5	71.8	28.2
Confectionery, ice cream and soft drinks	7,448	46,319	94.2	5.8	72.3	27.7
Custom tailors	25,890	181,250	98.1	1.9	88.2	11.8
Dairy and poultry products	77,325	495,652	89.1	10.9	56.0	44.0
Department	3,823,317	11,974,794	86.4	13.6	67.0	33.0
Drug	28,212	89,336	88.2	11.8	70.1	29.9
Dry goods and notions	26,550	39,563	94.4	5.7	91.8	8.2
Electrical appliance and supply	39,547	156,655	90.5	9.5	70.7	29.3
Florist	20,411	45,644	93.5	6.5	86.6	13.4
Fruit and vegetable	14,361	80,840	84.3	15.7	90.5	9.5
Fur and fur clothing	58,831	86,250	92.1	7.9	88.8	11.2
Furniture and housefurnishing	56,126	174,612	86.4	13.6	67.2	32.8
Gasoline and oil	16,459	52,550	53.6	46.4	26.5	73.5
General	50,144	123,045	85.3	14.7	70.3	29.7
Grocery and delicatessen	17,380	45,997	79.0	21.0	58.7	41.3
Hardware	35,192	20,799	85.4	14.6	90.8	9.2
Hat and cap, men's and boys'	21,454	45,121	66.3	33.7	48.3	51.7
Hay, grain and feed	53,297	64,185	93.5	6.5	93.4	6.6
Jewelry	36,456	124,028	94.2	5.8	82.8	17.2
Junk	24,198	4,000	98.9	1.1	99.8	0.2
Meat, poultry and fish	27,903	49,394	91.4	8.6	85.8	14.2
Millinery and artificial flowers	15,861	36,119	79.6	20.4	63.1	36.9
Motorcycle and bicycle	13,516	17,975	96.6	3.4	95.5	4.5
Musical instrument and sheet music	55,387	130,729	86.3	13.7	72.8	27.2
Office equipment	91,077	148,813	91.3	8.7	86.6	13.4
Optical goods	30,561	64,086	91.3	8.7	83.3	16.7
Paint, oil, varnish and glass	26,681	90,350	94.8	5.2	84.3	15.7
Photographic supply and camera	20,780	14,170	90.7	9.3	93.4	6.6
Plumbing and heating fixtures and supplies	47,158	43,052	90.1	9.9	90.9	9.1
Radio	29,458	59,881	88.7	11.3	79.4	20.6
Restaurants	24,378	88,597	87.8	12.2	66.4	33.6
Sporting goods	30,388	50,343	84.8	15.2	77.1	22.9
Stationery, book, magazine, paper and paper goods	35,767	33,599	84.2	15.8	85.0	15.0
Toy and game	17,044	11,750	97.5	2.5	98.3	1.7
Trunks and leather goods	26,328	71,787	90.6	9.4	78.0	22.0
Typewriters and calculating machines	82,455	144,150	96.4	3.6	94.0	6.0
Variety	101,745	200,464	44.9	55.1	29.3	70.7
Unclassified	182,119	110,834	91.2	8.8	94.5	5.5
Average	$ 37,743	$ 61,823*	84.9	15.1	71.3	28.7

* Adjusted average.

TABLE 26. CHAIN AND INDEPENDENT ESTABLISHMENTS

(U. S. Census of Distribution, 1927.)

City	Number of Retail Establishments			Sales		
	Total	Independent	Chain	Total	Independent	Chain
		Number	Number		Amount	Amount
Atlanta, Ga.	3,749	2,736	1,013	$ 177,782,800	$ 123,280,900	$ 54,501,900
Baltimore, Md.	11,127	9,818	1,309	369,027,300	286,215,600	82,811,700
Chicago, Ill.	41,224	34,795	6,429	1,981,140,400	1,245,458,100	735,682,300
Denver, Colorado	3,899	3,341	558	155,672,800	125,288,300	30,384,500
Fargo, N. D.	392	366	26	19,652,600	18,406,900	1,245,700
Kansas City, Mo.	5,373	4,440	933	300,310,700	246,600,400	53,710,300
Providence, R. I.	4,877	4,310	567	192,272,500	152,761,200	39,511,300
San Francisco, Calif.	14,000	12,018	1,982	655,350,900	507,436,300	147,914,600
Seattle, Wash.	5,808	4,878	930	222,842,100	179,286,200	43,555,900
Springfield, Ill.	1,151	997	154	45,512,900	37,321,900	8,191,000
Syracuse, N. Y.	2,328	2,079	249	104,544,100	89,034,500	15,509,600
Total	93,928	79,778	14,150	$4,224,109,100	$3,011,090,300	$1,213,018,800

TABLE 25. AVERAGE SALES PER ESTABLISHMENT CLASSIFIED BY KIND OF BUSINESS FOR 11 CITIES

Kind of Business	Average Sales per Establishment		Number of Establishments (% of Total)		Sales (% of Total)	
	Independent	Chain	Independent	Chain	Independent	Chain
Art and antique	$ 23,169	$ 31,113	95.5	4.5	94.0	6.0
Automobile	266,410	361,431	74.9	25.1	68.7	31.3
Automobile accessory	26,163	46,591	91.8	8.2	80.7	19.3
Bakery	23,439	29,394	90.7	9.3	88.6	11.4
Boot and shoe	29,909	85,460	72.7	27.3	48.2	51.8
Building material	159,552	137,169	82.9	17.1	84.9	15.1
Cigar and tobacco	11,165	46,949	88.4	11.6	64.5	35.5
Clothing and furnishing, men's ready-to-wear	49,715	82,942	87.7	12.3	81.0	19.0
Clothing, women's	85,237	91,382	85.3	14.7	84.4	15.6
Coal, wood and ice	55,969	168,847	88.5	11.5	71.8	28.2
Confectionery, ice cream and soft drinks	7,448	46,319	94.2	5.8	72.3	27.7
Custom tailors	25,890	181,250	98.1	1.9	88.2	11.8
Dairy and poultry products	77,325	495,652	89.1	10.9	56.0	44.0
Department	3,823,317	11,974,794	86.4	13.6	67.0	33.0
Drug	28,212	89,336	88.2	11.8	70.1	29.9
Dry goods and notions	26,550	39,563	94.4	5.7	91.8	8.2
Electrical appliance and supply	39,547	156,655	90.5	9.5	70.7	29.3
Florist	20,411	45,644	93.5	6.5	86.6	13.4
Fruit and vegetable	14,361	80,840	84.3	15.7	90.5	9.5
Fur and fur clothing	58,831	86,250	92.1	7.9	88.8	11.2
Furniture and housefurnishing	56,126	174,612	86.4	13.6	67.2	32.8
Gasoline and oil	16,459	52,550	53.6	46.4	26.5	73.5
General	50,144	123,045	85.3	14.7	70.3	29.7
Grocery and delicatessen	17,380	45,997	79.0	21.0	58.7	41.3
Hardware	35,192	20,799	85.4	14.6	90.8	9.2
Hat and cap, men's and boys'	21,454	45,121	66.3	33.7	48.3	51.7
Hay, grain and feed	53,297	64,185	93.5	6.5	93.4	6.6
Jewelry	36,456	124,028	94.2	5.8	82.8	17.2
Junk	24,198	4,000	98.9	1.1	99.8	0.2
Meat, poultry and fish	27,903	49,394	91.4	8.6	85.8	14.2
Millinery and artificial flowers	15,861	36,119	79.6	20.4	63.1	36.9
Motorcycle and bicycle	13,516	17,975	96.6	3.4	95.5	4.5
Musical instrument and sheet music	55,387	130,729	86.3	13.7	72.8	27.2
Office equipment	91,077	148,813	91.3	8.7	86.6	13.4
Optical goods	30,561	64,086	91.3	8.7	83.3	16.7
Paint, oil, varnish and glass	26,681	90,350	94.8	5.2	84.3	15.7
Photographic supply and camera	20,780	14,170	90.7	9.3	93.4	6.6
Plumbing and heating fixtures and supplies	47,158	43,052	90.1	9.9	90.9	9.1
Radio	29,458	59,881	88.7	11.3	79.4	20.6
Restaurants	24,378	88,597	87.8	12.2	66.4	33.6
Sporting goods	30,388	50,343	84.8	15.2	77.1	22.9
Stationery, book, magazine, paper and paper goods	35,767	33,599	84.2	15.8	85.0	15.0
Toy and game	17,044	11,750	97.5	2.5	98.3	1.7
Trunks and leather goods	26,328	71,787	90.6	9.4	78.0	22.0
Typewriters and calculating machines	82,455	144,150	96.4	3.6	94.0	6.0
Variety	101,745	200,464	44.9	55.1	29.3	70.7
Unclassified	182,119	110,834	91.2	8.8	94.5	5.5
Average	$ 37,743	$ 61,823*	84.9	15.1	71.3	28.7

* Adjusted average.

TABLE 26. CHAIN AND INDEPENDENT ESTABLISHMENTS

(U. S. Census of Distribution, 1927.)

City	Number of Retail Establishments			Sales		
	Total	Independent	Chain	Total	Independent	Chain
		Number	Number		Amount	Amount
Atlanta, Ga.	3,749	2,736	1,013	$ 177,782,800	$ 123,280,900	$ 54,501,900
Baltimore, Md.	11,127	9,818	1,309	369,027,300	286,215,600	82,811,700
Chicago, Ill.	41,224	34,795	6,429	1,981,140,400	1,245,458,100	735,682,300
Denver, Colorado	3,899	3,341	558	155,672,800	125,288,300	30,384,500
Fargo, N. D.	392	366	26	19,652,600	18,406,900	1,245,700
Kansas City, Mo.	5,373	4,440	933	300,310,700	246,600,400	53,710,300
Providence, R. I.	4,877	4,310	567	192,272,500	152,761,200	39,511,300
San Francisco, Calif.	14,000	12,018	1,982	655,350,900	507,436,300	147,914,600
Seattle, Wash.	5,808	4,878	930	222,842,100	179,286,200	43,555,900
Springfield, Ill.	1,151	997	154	45,512,900	37,321,900	8,191,000
Syracuse, N. Y.	2,328	2,079	249	104,544,100	89,034,500	15,509,600
Total	93,928	79,778	14,150	$4,224,109,100	$3,011,090,300	$1,213,018,800

TABLE 25. AVERAGE SALES PER ESTABLISHMENT CLASSIFIED BY KIND OF BUSINESS FOR 11 CITIES

Kind of Business	Average Sales per Establishment		Number of Establishments (% of Total)		Sales (% of Total)	
	Independent	Chain	Independent	Chain	Independent	Chain
Art and antique	$ 23,169	$ 31,113	95.5	4.5	94.0	6.0
Automobile	266,410	361,431	74.9	25.1	68.7	31.3
Automobile accessory	26,163	46,591	91.8	8.2	80.7	19.3
Bakery	23,439	29,394	90.7	9.3	88.6	11.4
Boot and shoe	29,909	85,460	72.7	27.3	48.2	51.8
Building material	159,552	137,169	82.9	17.1	84.9	15.1
Cigar and tobacco	11,165	46,949	88.4	11.6	64.5	35.5
Clothing and furnishing, men's ready-to-wear	49,715	82,942	87.7	12.3	81.0	19.0
Clothing, women's	85,237	91,382	85.3	14.7	84.4	15.6
Coal, wood and ice	55,969	168,847	88.5	11.5	71.8	28.2
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Electrical appliance and supply	39,547	156,655	90.5	9.5	70.7	29.3
Florist	20,411	45,644	93.5	6.5	86.6	13.4
Fruit and vegetable	14,361	80,840	84.3	15.7	90.5	9.5
Fur and fur clothing	58,831	86,250	92.1	7.9	88.8	11.2
Furniture and housefurnishing	56,126	174,612	86.4	13.6	67.2	32.8
Gasoline and oil	16,459	52,550	53.6	46.4	26.5	73.5
General	50,144	123,045	85.3	14.7	70.3	29.7
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Jewelry	36,456	124,028	94.2	5.8	82.8	17.2
Junk	24,198	4,000	98.9	1.1	99.8	0.2
Meat, poultry and fish	27,903	49,394	91.4	8.6	85.8	14.2
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Musical instrument and sheet music	55,387	130,729	86.3	13.7	72.8	27.2
Office equipment	91,077	148,813	91.3	8.7	86.6	13.4
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Sporting goods	30,388	50,343	84.8	15.2	77.1	22.9
Stationery, book, magazine, paper and paper goods	35,767	33,599	84.2	15.8	85.0	15.0
Toy and game	17,044	11,750	97.5	2.5	98.3	1.7
Trunks and leather goods	26,328	71,787	90.6	9.4	78.0	22.0
Typewriters and calculating machines	82,455	144,150	96.4	3.6	94.0	6.0
Variety	101,745	200,464	44.9	55.1	29.3	70.7
Unclassified	182,119	110,834	91.2	8.8	94.5	5.5
Average	$ 37,743	$ 61,823*	84.9	15.1	71.3	28.7

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Chicago, Ill.	41,224	34,795	6,429	1,981,140,400	1,245,458,100	735,682,300
Denver, Colorado	3,899	3,341	558	155,672,800	125,288,300	30,384,500
Fargo, N. D.	392	366	26	19,652,600	18,406,900	1,245,700
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Seattle, Wash.	5,808	4,878	930	222,842,100	179,286,200	43,555,900
Springfield, Ill.	1,151	997	154	45,512,900	37,321,900	8,191,000
Syracuse, N. Y.	2,328	2,079	249	104,544,100	89,034,500	15,509,600
Total	93,928	79,778	14,150	$4,224,109,100	$3,011,090,300	$1,213,018,800

TABLE 27. AVERAGE SALES PER ESTABLISHMENT AND COMPARATIVE STATISTICS CLASSIFIED BY 11 CITIES

(U. S. Census of Distribution, 1927.)

City	Population (Estimated July 1, 1926)	Average Sales Per Establishment		Number of Establishments % of Total		Sales % of Total	
		Independent	Chain	Independent	Chain	Independent	Chain
Atlanta, Ga.	244,100	$45,059	$ 53,802	73.0	27.0	69.3	30.7
Baltimore, Md.	808,000	29,152	63,263	88.2	11.8	77.6	22.4
Chicago, Ill.	3,047,600	35,794	114,432	84.4	15.6	62.9	37.1
Denver, Colorado	285,000	37,500	54,453	85.7	14.3	80.5	19.5
Fargo, N. D.	25,600	50,292	47,912	93.4	6.6	93.7	6.3
Kansas City, Mo.	375,300	55,541	57,567	82.6	17.4	82.1	17.9
* Providence, R. I.	443,600	35,443	69,685	88.4	11.6	79.5	20.5
* San Francisco, Calif.	946,500	42,223	74,629	85.8	14.2	77.4	22.6
Seattle, Wash.	367,300	36,754	46,834	84.0	16.0	80.5	19.5
Springfield, Ill.	64,700	37,434	54,607	86.6	13.4	82.0	18.0
Syracuse, N. Y.	185,000	42,826	62,288	89.3	10.7	85.2	14.8
Average	....	$37,743	† $ 61,823	84.9	15.1	71.3	28.7

* Metropolitan Area. † Excluding Chicago, Illinois.

most certainly, draw a considerable part of their trade from adjoining territories in such classes of goods.

Tables 24-27 present the general statistics of retail trade reported by the U. S. Census of Distribution for 11 cities in 1927.[1]

A Tentative Estimate of Total Retail Trade.—Pending the collection of a general census of distribution it is possible to present only a rough estimate of the total trade of the country. Such estimates have been prepared at various times by the author. The first estimate to be published was for the year 1923, the report of which appeared in the *Harvard Business Review* in January, 1925. The methods used in making these estimates were as follows:

1. To the total of manufactured goods and other products for final consumption were added the total imports of consumer goods and therefrom were subtracted the total exports for a given year. Disregarding the possible carry-over from the preceding year and similarly the carry-over into the next year, this result should show what is apparently left for consumption within the country and which, therefore, must pass through the hands of retail dealers on the way to consumers. To this figure must also be added an amount estimated to cover the wholesalers' and dealers' margins of gross profit in order that the total may represent what is paid by the consumers. For 1923, using this method, the result obtained was about $34,000,000,000.

2. From limited sample studies made of the retail business, it is possible to estimate roughly that the average sales per person employed in retail stores is not far from $10,000 a year. The total number of people employed in the retail business in 1920, according to the census, was 3,480,000. As-

[1] The reports of these trial censuses constitute the most adequate presentation of retail trade ever collected in this country. They were made available to the public in a volume entitled "Retail and Wholesale Trade of 11 Cities," published by the Domestic Distribution Department of the Chamber of Commerce of the United States.

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2. From limited sample studies made of the retail business, it is possible to estimate roughly that the average sales per person employed in retail stores is not far from $10,000 a year. The total number of people employed in the retail business in 1920, according to the census, was 3,480,000. As-

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suming some increase in the number of persons from 1920 to 1923, it is believed that the total retail trade, using this method, would amount to about $35,000,000,000.

3. It is possible to estimate the total retail sales of the country by multiplying the total population by the per capita retail sales reported in the State of Pennsylvania. By applying this method for 1923, an estimate of total retail sales amounting to over $30,000,000,000 was secured. This figure was believed to be too low for such reasons as: the probability that the amount of net sales reported for taxation purposes is likely to be lower than actual sales; lack of thorough supervision of the licensing system leads to the belief that certain small businesses escape all reports and taxes; Pennsylvania retail trade is probably lower per capita than for the rest of the country because of the very general tendency to raise large parts of foods consumed at home, not only on farms but also in villages as well; and finally, a considerable part of Pennsylvania's retail purchases go out of the state, particularly to mail order houses. Some years ago it was asserted by a leading chain store executive that Pennsylvania led all other states in the amount of mail order business. On the other hand, Pennsylvania certainly gains a considerable amount of business from western New Jersey. However, considering all points, the Pennsylvania figures probably represent a low average, too low to represent retailing the country over.

4. Or, it is possible to multiply the total number of families in the United States by the average expenditures for goods bought through retail stores as determined from sample studies, such as that of 12,096 families whose purchases during the years 1918 and 1919 were studied by the U. S. Bureau of Labor Statistics.[2] From such studies it is estimated that the average income per family for the entire country was not far from $2,000 a year, of which about $1,500 is expended through

[2] Cost of Living in the United States, Bulletin No. 357, U.S. Bureau of Labor Statistics.

retail stores and, thus, the total purchases for 24,000,000 families would be about $35,000,000,000.

5. By deducting from the national income, as estimated by the National Bureau of Economic Research, all items not purchased through retail stores and for which there are fair estimates, such as taxes, rentals, value of home-grown products consumed at home, professional services, public utility charges, transportation, and so on, it was found that these miscellaneous expenditures amount to about one-half of the total national income. Similar estimates drawn up in Germany indicate that retail sales there also approximate one-half of the national in-

Table 28. Estimate of Total Sales by Merchandise Lines for 1928

	Billion Dollars
Food, including groceries, meats, fruits and vegetables, dairy products, etc. sold to consumers	20.0
Clothing, including ready-made apparel and piece goods for men, women and children, underwear, hats, hosiery, shoes, rubbers, etc.	9.5
Furniture	1.2
House furnishings, including floor coverings, draperies, curtains, kitchen hardware, utensils, china, glass, etc.	1.0
Automobiles, accessories, gasoline, tires, etc., for pleasure use only	4.5
Tobacco products	1.8
Beverages, soft drinks, etc.	1.0
Pianos	.2
Radio and phonographs	.6
Jewelry, watches, clocks, and silverware	.4
Electrical goods for households	.6
Perfumes, cosmetics, etc.	.5
Soaps, dentifrices	.3
Drugs, proprietaries, and patent medicines	.4
Confectionery, chocolate, ice cream, and chewing gum	.3
Books and magazines bought in retail stores	.1
Paints and varnishes	.2
Agricultural implements	.3
Miscellaneous	1.1
Total	44.0

come. For the year 1923, the total national income was about $70,000,000,000. If half of this passed through retail stores, then the total retail trade amounted to $35,000,000,000.

All of the foregoing methods are distinctly faulty and inadequate but apparently the best available until more authentic information is available.

Using the same methods, it is estimated that for the year 1928, the total purchases through retail stores amounted, conservatively, to about $44,000,000,000.

Table 26 gives a tabulation of the retail sales volume roughly distributed by lines of merchandise and by types of retail stores. Table 28 presents an estimate of retail sales by lines of merchandise for the year 1928.

One may also roughly estimate the amounts of retail business done by various classes of retail institutions for 1928 as follows:

TABLE 29. ESTIMATES OF TOTAL SALES BY TYPES OF RETAIL INSTITUTIONS
(For 1928)

	Billion Dollars	% of Total Retail Trade
Department stores including general merchandise stores	7.0	16.0
Chain stores including all organizations of two or more stores under one ownership and management	8.0	18.0
Mail order houses including about 1,200 concerns doing a mail order catalog business	1.6	3.6
Company stores—stores owned and operated by industrial concerns primarily for their employees. These are generally of the department store type	1.2	3.0
House-to-house selling, canvassing, peddling, etc.	1.0	2.3
Consumers' cooperative stores	.2	.4
Independent stores not included in classifications given above	25.0	56.7
Total	44.0	100.0

CHAPTER XIII

COOPERATION IN RETAILING

Most of the past history of retailing has been characterized by a fierce, individual, competitive struggle. Retailers have rarely exhibited much cooperative spirit. Small retailers in particular, like the industrial and agricultural populations that they served, were generally highly independent and individualistic. All trade information and methods were considered as deep secrets to be carefully guarded, even though the self-same methods were under continuous use by all other competitors at the same time. Nothing short of sheer necessity has brought about a change in these ancient characteristics of retailers. The many illustrations of cooperation occurring at the present time among all classes of retailers are the results of outside causes rather than inner desires to cooperate.

Chief among the causes of such cooperation has been the growth of powerful and effective competition from newer types of retail distributing organizations such as the mail order house, modern direct selling, and the chain stores. The need for meeting difficult local situations due to the competition of retail institutions in other nearby communities has in many cases aroused retailers to cooperation. In still other cases, retailers have been forced into cooperative bonds by restrictions placed upon them by state and municipal legislation, and by undue coercive sales methods employed by wholesalers and manufacturers.

Varieties of Cooperative Groups.—The cooperation of retailers sometimes takes the form of temporary informal organizations brought together to serve an immediate purpose.

In other cases, cooperation is carried on by permanent, well-established, well-organized societies or corporations.

Retailers' cooperative efforts are sometimes arranged among retailers who are actively competitive and in other cases among more limited groups of non-competitive concerns. Local associations usually attempt to include as many as possible of all retailers in a community regardless of the fact that they are competitive. Non-competitive groups of a local character are usually informal associations. Non-competitive groups made up of retailers from within the same line but located in different towns, may have very closely knit permanent cooperative organizations. It is beyond the purpose of this chapter to attempt any description of the informal, occasional or temporary forms of cooperative effort. In what follows an attempt will be made to describe briefly some of the formal types of organizations carrying on cooperative activities for retailers.

Local Cooperative Groups.—The commonest form of cooperative retail group is the local retail merchants' association found in many American communities, sometimes organized as a part of a larger business association such as the Chamber of Commerce, sometimes as an independent group.

Local merchants' associations usually attempt to secure as wide a membership of all the retailers within their communities as possible. In other cases the membership is limited to retailers located within a certain trading territory, such as the Fifth Avenue Association, the downtown club, and the Main Street associations. In other cases such associations are organized for the purpose of uniting retailers of but a single line such as grocers, druggists, or hardware dealers.

The interests of such local cooperative groups are usually devoted to such common problems as agreements upon working hours, time of opening and closing stores, policies with respect to holidays and vacations, and organized promotion of Christmas early shopping campaigns, and so on.

The efforts of retail merchants' associations are usually enlisted in support of various community movements which may include such matters as attempts to secure better streets and roads, better city lighting, more adequate parking and traffic regulations, community paint-up and clean-up campaigns, as well as local charities.

Retail Credit Bureaus.—A credit clearing house or retail credit bureau is frequently a function carried on by such retailers' groups. By means of the credit clearing house all consumers' credits are listed, and through inquiries any retailer member may determine whether a customer has gone beyond reasonable credit allowances and whether he is entitled to the further extensions or not. By means of the credit clearing house, merchants are saved a large part of the losses otherwise caused by bad accounts. "Dead beats" may be eliminated from credit privileges wherever there is an active central credit bureau.

Cooperation to Secure Truthful Advertising.—Retail merchants' associations usually lead in cooperation with local advertising clubs, in sponsoring movements for truthful advertising, and the elimination of dishonest business methods. In a number of the larger cities of the country, Better Business Bureaus have been organized, the chief purpose of which is to supervise advertising with the object of eliminating dishonesty and to develop a higher sense of trade ethics and relationship with consumers.

Cooperative Delivery.—In a few communities, retail merchant associations have united for the purpose of conducting cooperative delivery systems, in some cases through cooperatively owned delivery companies, and in others by patronage of some central, privately owned delivery system. In at least one instance in a large city, namely St. Paul, Minn., retail merchants united on using the parcel post as a means of delivery.

Promotion of Community Selling Events.—Another form of cooperative effort successfully carried on by local merchants' groups is the promotion of special selling events with the object of attracting more trade to the community, increasing interest in its retail stores, and developing their business. Among such cooperative promotions may be mentioned "Buy at home" movements conducted by small-town groups or neighborhood store associations; health campaigns such as organized and successfully executed by the retail druggists of Columbus, Ohio; fashion shows in which the leading dry goods and apparel houses unite for the purpose of conducting large public exhibitions; and home furnishings weeks to which all of the stores dealing in household lines contribute. In these cooperative arrangements the retailers agree on a certain week and promotion policy in order to secure cumulative effects on the buying public. This, it has been found, is more profitable than each store operating by itself.

Another method of cooperative sales promotion that has been found fairly successful in a number of instances is conducting cooperative periodical community sales under some such term as "Dollar day sales," in which each member makes provision to offer certain goods of real value on certain days, in order that the people of the community may be induced to come to trade at that time.

The Neosho Plan.—One of the most effective systems of cooperative selling of the type just described is the Neosho plan, so called from the fact that it originated with the Retail Merchants' Association of Neosho, Mo., under the direction of its secretary, Mr. Guery R. Lowe. Under the Neosho plan, "Golden Rule Sales Day" is held on the first Monday of every month. In preparation for this day, each retail store in the association plans a certain number of specials to be offered on that day. These specials are advertised in a separate section of the community's newspapers. Each advertisement to appear in

this separate section is carefully checked and approved by a committee of the merchants themselves to assure that each item offered is really a special and is properly described. At the same time and for the same day on which these special sales are conducted by the retailers of the community, arrangements are also made for the purchase of produce of all kinds from farmers who may come to town. In some instances, a public auction is provided for the sale of livestock, household goods, implements, or any other kind of goods that may be brought in to be sold, against which a low charge of 2% of net sales is made to cover the expenses.

Cooperative Buying by Local Groups.—For a number of years, local retailers' groups, particularly those organized to cover a single line of trade, have been deeply interested in the possibilities of cooperative purchasing. There are probably very few cities now in which there are no buying associations or buying clubs made up of grocers, of druggists or of other lines of retailers. Some of these buying groups operate only occasionally, while others carry on a constant business for their members. Some of these groups are highly successful, while others are very weak and ineffective.

Cooperative Buying of Store Supplies.—Outstanding success has been attained in the cooperative purchase of supplies in a few instances, notably by the Retail Trade Board of Boston. This association makes purchases of, or at least the arrangements for the purchases of, gasoline, automobile tires, paper, bags, twine, pins, office supplies, and electric bulbs.

Cooperative Advertising.—One of the most recent as well as most spectacular and noteworthy forms of retail cooperation among department stores and specialty shops in the larger cities is the development of cooperative advertising through the use of periodicals in many communities, known as "Shopping News." In some cases these papers print other reading

matter and information in addition to advertising, but more often solely advertising.

Cooperation in Meeting Returned Goods Problem.—Another type of retail cooperation effectively used by merchant groups in a few communities is in united efforts to meet the problem of merchandise returned by consumers. Such merchandise returns have, for a number of years, constituted a growing menace threatening the success and even the continuance of the retail business. Through cooperative effort considerable progress in reducing the amount of returns has apparently been made.

Public Education in Training Retail Salespeople.—Cooperation of retailers in securing public school attention to the problems of training people planning to enter retail store work has also been successfully effected. There are now more than 40 cities in which retail salesmanship is regularly taught, either in high schools or other public school classes. The establishment and proper conduct of such courses are usually in some part due to the cooperative effort of retail merchants.

The Retail Trade Board of Boston has set a high standard in its results secured by arranging with the local educational authorities to have practically all of the training in salesmanship conducted by public continuation schools. In addition, the Retail Trade Board conducts a series of courses annually, giving advanced instructions to executives and employees of the stores of Boston. These courses cover such subjects as merchandise control, textiles, fashion, advanced salesmanship, retail statistics, retail trade management, and so forth.

Miscellaneous Local Retail Cooperative Groups.—Among the many groups of retailers that have, through cooperative effort, made considerable success either in sales promotion or purchasing, and in some cases both, may be mentioned the following:

Buy Rite Stores, Omaha
Snappy Service Stores, Denver
Quality Service Stores, Omaha
Home Market Stores, Toledo
Serve U Save U Stores, Elmira
Star Service Stores, Inc., Boston
Trinity Stores, Wilmington
Star Service Stores, St. Joseph, Missouri
Home Owned Stores Association, Kalamazoo

State, Sectional, and National Retail Organizations.—Practically every important retail trade is represented by state, sectional and national organizations. There are 36 state and sectional organizations in the hardware field alone. These groups include a membership of 21,000 hardware dealers. These groups are in turn affiliated with the National Retail Hardware Association, one of the most effective and influential trade associations in existence. The National Retail Clothiers and Furnishers Association includes affiliations with 36 state and sectional associations.

Among the leading retail trade organizations are the following:

National Retail Dry Goods Association
National Retail Hardware Dealers' Association
National Retail Druggists Association
National Retail Furniture Dealers' Association
National Retail Grocers' Association
National Retail Clothiers and Furnishers Association

One of the recent newcomers among retail trade associations is the National Chain Store Association, established in the latter part of 1928. This group supersedes a former organization known as the National Chain Store Grocers' Association.

The American Institute of Food Distribution, also established in 1928, occupies a unique position in the retail trade. It serves as a clearing house of information for all branches and trades dealing with foods. It maintains a research depart-

ment, collects data, offers a consultation service, and publishes bulletins pertaining to the food industry. The American Institute of Food Distribution provides membership contacts among manufacturers, wholesalers, and brokers, as well as retailers, in food lines.

National organizations of retail trades are to be found highly developed in Europe as well as in this country. One of the most interesting of these organizations is the Independent Association of Retail Dealers of England and the British Empire, with a large membership made up mainly of department stores and dry goods institutions in England and the colonies. The I. A. R. D., as it is called, acts as a clearance house on almost all conceivable branches of information useful to the retail trade.

Typical Activities of Retail Trade Associations.—The purposes and kinds of work carried on by a national retail trade association may be best defined by describing briefly the work of one of such associations. The National Retail Dry Goods Association, including in its membership, department stores, dry goods, and specialty shops, is selected for this purpose. This association came into existence in 1911. Membership has been successfully obtained from retail dealers all over the country. Dues are collected from members in proportion to the volume of their sales. The organization maintains extensive offices in New York City in which the work of the association is carried on continuously.

Each member has a vote in determining the policies and in the selection of officers. A board of directors represents the membership in outlining the details of the work carried on by the association. The actual work of the association is carried on by a paid staff under the direction of a managing director. The work is organized on functional lines. Separate departments or divisions, each in charge of competent division managers, carry on its activities. Among these are the following:

A Research and Information Department in charge of the information files of the organization. This department studies sales trends, makes special researches, and, with the help of the members of the association, determines merchandising standards. The services of this division are made available to its members through consultation in person or by letter, by detailed studies, and by the publication of reports.

An Insurance Division conducts general studies of insurance in the retail field and renders specific services to the individual member stores. These studies have in some cases been followed by efforts intended to secure better insurance coverage at lower costs.

The Merchandise Managers' Division conducts periodical meetings of merchandise managers of the members' stores, arranges programs for these meetings, carries on research and investigation, and serves as a clearing house of information on merchandising subjects.

The Sales Promotion Division and the Store Managers' Division serve the same functions for these two groups of retail store executives as does the Merchandise Managers' Division.

Proceedings of these division meetings are published and constitute very valuable material dealing with the current problems of retail stores.

The Personnel Division not only conducts division meetings of personnel directors and educational directors of the retail store managers, but also promotes the development of personnel methods, including employment technique, wage payment plans, employee tests, and educational methods among member stores.

The Controllers' Congress, a division of the National Retail Dry Goods Association, is made up of the controllers and accountants of the member stores. This organization has made outstanding contributions not only to the members of the National Retail Dry Goods Association but to the retail trade

as a whole, by its special studies of retail accounting, its encouragement of outside studies in retail accounting, and by its efforts to secure fair and proper taxation of retail stores by the Federal Government.

There are also other divisions dealing with traffic, receiving and marking, and delivery. The import managers of the member stores employing such executives are also united as one of the divisions of the organization, and recently there has been established the Bureau of Costume Art for the purpose of training stylists, fashion advisers, and specialists in sales promotion of fashion goods.

The National Retail Dry Goods Association has for several years been deeply interested in the Prince School for the Training of Retail Store Educational Directors. Prince graduates are employed in a number of the members' stores, and the educational program, as at present carried out by the Prince School, is financially sponsored by the members of the association.

A testing laboratory, developed to carry on scientific tests of qualities of all classes of merchandise handled by department stores, is another branch of its work.

In addition to the many divisional meetings conducted throughout the year by the various functional divisions referred to above, the association holds an annual meeting, usually extending through an entire week, at which the major problems of the association are discussed by its outstanding members.

The association also conducts a Washington bureau in charge of a competent executive who keeps the association and its members informed as to governmental developments affecting the retail trade. This executive acts as the representative of the association in government hearings and conferences at which subjects of interest to retailers are discussed.

The association maintains continuous contact with its members through the publication of numerous special reports

from its various divisions and by a bulletin, ably edited, issued monthly.

Cooperation in Market Work.—One of the forms of cooperation most frequently employed by retailers and which is becoming increasingly important is joint use and management of purchasing facilities. Cooperative market research, common use by several retail stores of market aids, and group buying are activities in which an increasing percentage of independent retail store managers are participating. A description of the functions of resident buying offices may be helpful to a clear understanding of this form of cooperation.

Cooperative Resident Buying Offices.—Resident buying offices are maintained in New York, Chicago, and other important market centers by a large number of stores. Practically all department stores, most specialty shops, as well as a great many retailers in other lines such as groceries, drugs, 5 cents to $1 lines, furniture and furnishings, novelties and gift goods, use resident offices through which to keep in touch with market developments and to make purchases.

There are probably at least 400 resident buying offices in New York alone and smaller numbers in other cities. Of the number existing in New York, probably a quarter represent single department stores, chain store systems, and mail order houses, that is, individual companies. The great majority of such offices serve from two stores up to 100 or more.

Resident buying offices serving single organizations are, of course, privately owned and managed by those organizations. The ownership and management of resident offices serving more than one store may be either private or cooperative. Most of such organizations are privately owned. Their services are sold to retail stores that operate through them for annual or monthly fees, or are rendered on the basis of commissions charged on all purchases made for the store. Some private offices operate on a combination of fees and commissions.

The cooperatively owned type of resident buying offices includes the big resident organizations serving groups of department stores, such as the Retail Research Association with its buying and wholesale organization, known as the Associated Merchandising Corporation, the Syndicate Trading Corporation, probably the oldest of the cooperatively owned department store resident concerns, established in 1884, the Specialty Stores Association, the Cavendish Trading Corporation, American Retailers, Inc., the Dry Goods Alliance, the Dry Goods Union, and the Retailers Commercial Union.

Cooperative resident buying offices are also to be found in other lines such as men's apparel, shoes, bakeries, groceries, drugs, and hardware. Many of these organizations operate only locally, serving nearby groups of retailers. Others have national ramifications.

Cooperative ownership of a resident organization often takes the form of a corporation, shares of which are owned by the participating members. Usually each member is allowed a single vote in the organization regardless of the size of the store or contributions paid. The regular corporate type of organization is followed. There is a board of directors, an executive committee, and officers. The board of directors and executive committee are usually made up of members from the group of stockholders designated for the purpose of securing intensive, expert supervision of the activities of the organization. The actual operations of the resident office are performed by a director or manager and staff who are employees.

Resident offices provide a variety of services for their member stores. The resident office is, first of all, the store's headquarters in the market city. It is the place to which the store's buyers come, where many transactions are effected. Various conveniences are usually provided for buyers such as office room, telephone and messenger service, stenographic help, order copy file equipment, and employees who follow up orders

after they are placed by the store buyers to insure their prompt delivery.

Resident offices usually serve their member stores by careful study of the market for available merchandise, price conditions, new developments, and so on. Member stores are informed about all such facts by means of frequent letters and bulletins.

Actual buying is another service performed by resident offices for member stores. Such buying is of several kinds. First of all, there is the buying handled by resident office assistants who place orders for the member stores in the absence of the store buyers. The next step in importance of the buying function carried on in resident offices is buying according to instructions and specifications authorized by member stores. Such buying may be individual, that is, for one time only, continuous, or periodical. Stores often authorize their buying offices to buy a definite quantity of goods weekly or monthly. When similar authorizations to buy are accumulated from several members, the resident buyer may be able to assemble the orders and secure quantity concessions. This type of resident office buying has been called "assembled order buying."

It is also possible in some cases to arrange for cooperative buying by inducing the member store buyers to unite in their selections and pool their orders through the resident office. This is known as "group buying." In other cases the office makes arrangements with resources to sell the store members of the group to secure special price concessions, either on an agreed quantity basis or without quantity limitations. Store buyers may thereafter place their orders with these concerns and enjoy the better prices. This is known as "preferred resource buying."

The resident office, in a few instances, also serves the function of a central buying office. In such cases the resident buyer makes all of the purchases for member stores, performing the same kind of work for its member stores as the central buyer does in a chain store organization. Central buying has made

but little headway, so far, in the cooperative resident office field. Opinions vary as to its future.

A resident office may also include as a division of its work a wholesale department for the benefit of its members. Its services are in such cases conducted in a manner similar to that of a regular wholesale institution, with the difference that salesmen are not employed to travel as for regular wholesale houses.

Another service made available through some cooperative resident organization is the conduct of a shipping department for the receipt and consolidation of packages from all resources in the city. Through such consolidation of packages, important economies are effected in transportation expenses.

Cooperative Exchange of Information.—One of the most important effects secured through cooperative retail associations, particularly if non-competitive, is the interchange of information on all phases of store operation. Statistics and reports are gathered from the members, compiled and interpreted at a central office, and are then reissued to the members in such form as to permit easy comparison and discovery of departments or details in which individual stores are outstanding, either from the standpoint of efficiency or deficiency. From such an interchange of information all members find it possible to learn, first of all, what the best results existing within the group are and then to take steps to bring their own weaker departments and activities up to these standards.

Out of such comparative studies of the expenses of operation there develop movements within the group for improved as well as uniform accounting methods, for the application of improved systems in merchandise control, for the control of waste as well as other matters affecting other operating departments of the business.

A central employment exchange has been found an extremely helpful form of cooperation. It saves the time of

individual executives in locating prospective employees, particularly of executive rank.

Cooperative Buying.—Marked accomplishments have been made during recent years in cooperative buying. The types of cooperative organization employed for the purpose of doing cooperative buying vary greatly. Mention has already been made of the cooperative purchasing activities of retail associations and resident offices. In some instances, cooperative buying is conducted directly as a part of retail association activity, but more frequently it is managed by special organizations set up for the purpose. The simplest of these are the more or less informal buying groups which are frequently found among grocers and other retail dealers throughout the country. Nothing is more natural than the development of cooperative buying among a group of retailers of the same trade as soon as they get together on a friendly basis. The obvious wastes of separate purchasing and savings to be made by cooperation suggest themselves to all, but there are very real difficulties in such cooperative efforts, and, as a result, a great many of such buying groups do not last more than a short time.

A greater degree of permanency for cooperative buying is sometimes secured by the adoption of plans for the promotion of a special brand or label. The buying for the group is then done in lines to bear the special label. In such instances where the special label goods are handled long enough and given sufficient attention by retailers to obtain a fair degree of consumer acceptance, the incentive for continuing group buying grows.

"Voluntary Chains."—Organizations of independent retail stores for the purposes of cooperative buying and selling have recently been called voluntary chain systems. Such groups are of at least three well-defined forms.

1. Retail cooperative buying groups such as described under resident buying offices above.

2. Retailer-owned wholesale organizations of which there were, at the beginning of 1929, 35 or 40 in the drug field with over 17,000 retailer members, a much larger number in the grocery field with an estimated membership of over 23,000 retail grocers, and others in various lines of trade.

3. Wholesaler-retailer cooperative groups generally established by wholesalers to assure themselves of retail outlets in the future, and a means of competing with chain stores as well. Some wholesalers have actually purchased retail stores outright and have formed regular chain store systems. Others have used the voluntary chain plan and have formed contractual relations with retailers, tying them for definite periods of time to their wholesale concerns.[1]

There are at least five or six national or semi-national organizations that are promoting voluntary chains made up of wholesalers and retailers under standard plans of operation. Among these, one of the oldest is the system of "Red and White Stores" with headquarters in Buffalo, established by R. W. Baker but intensively pushed by S. M. Flickinger, a wholesale grocer.

The best-known of these organizations is the "Independent Grocers' Alliance" of Chicago, or the I. G. A. as it is commonly called in the trade. Other groups include "Clover Farm Stores Association" of Cleveland, "Riteway Stores" in Michigan, and "Nation Wide Stores" in New England. Several other important organizations exist in this field.

These wholesaler-retailer groups have grown very rapidly. At the opening of 1929, there were said to be over 60,000 grocery stores tied to more than 400 groups.

Manufacturers' Cooperative Retail Groups.—Almost coincident with the origin of manufacturers' chain store systems in this country came movements to organize retail groups

[1] "The Voluntary Chains," a pamphlet published by the American Institute of Food Distribution, 1929, gives an excellent summary of the development of these types of organizations.

to promote particular products. The "Rexall Drug Stores" organized by Louis K. Liggett, founder of Drug, Inc., is probably the oldest and certainly the most important of these groups. Nearly 12,000 druggists throughout the country are members of this group, handle and push the sale of "Rexall" products, a line made by Drug, Inc., and controlled and sold entirely by the Rexall Drug Stores. By this device these products are removed from all possibilities of destructive price competition, and the goodwill acquired by advertising and by use of the Rexall products is enjoyed by its dealers.

Nyall and A. D. S. are two other similar groups that follow the same plan of organization with wide memberships in the retail drug field. Recently E. R. Squibb & Son entered the field of manufacturer-retailer cooperative organizations. McKesson & Robbins with its large chain of wholesale drug houses also operates a cooperative plan involving manufacturers on the one hand and thousands of retail drug stores on the other.

Cooperation among retail dealers has all the advantages and disadvantages of cooperation as found among consumers and producers. Under necessity, such cooperation thrives. When the immediate necessity disappears or declines, unless there is very able management, the cooperation is likewise likely to decline.

Essentials of Effective Retail Cooperation.—The difficulties of securing successful cooperation among retailers are precisely the same difficulties faced by cooperators among producers on the one hand and consumers on the other. Cooperation implies the necessity of merging individual initiative in common lines determined by joint decision. To secure a community of interest and of effort on specific lines means that there must be objectives clearly understood and desired by all. To secure this, an enormous amount of educational work is required both at the inception of the organization and continuously thereafter in keeping it going.

Cooperation invariably implies compromise. Strong-willed individuals within a cooperative group find their wishes continuously thwarted by conflicts with other members of the group. The net result of cooperation may be highly beneficial from a business standpoint, but almost invariably it means some sacrifice on the part of the individuals participating. The merchandise desired and the resources patronized, the methods of making purchases, the exact conditions under which the purchases are made, involve decisions on numberless details upon all of which there may be differences of opinion among the cooperators. True cooperation implies the reduction and elimination of these differences of opinion by discussion and education. Domination of a cooperative group by a single member or by a few members, or the attempt of the management to use coercive measures almost invariably leads to the break-up of the organization. As indicated in the chapter on the independent retailer, many retail merchants would rather run their businesses in their own way, even at a loss, without interference or suggestion from outside, than sacrifice their individual and personal views to that of other individuals or groups.

Successful cooperative organizations in the retail field, as elsewhere, in almost all cases have had their origins through aggressive, tireless, promotion work contributed by certain individuals. In a very true sense every cooperative organization owes a great deal to its original promoters who, in most cases, at great sacrifices of their own time and energy, induce their fellow members to join the cooperative group and then also, usually furnish not only the imagination but the organizing ability as well to keep the group together.

A strong nucleus of active cooperators is a very helpful factor within a cooperative organization. Such a group need not dominate nor force its will upon other members of the group but may lend its influence whenever and as often as it may be necessary to keep the group activities going smoothly.

In the first flush of interest at the time of organization there is likely to be an overemphasis of the results to be attained and also an underestimate of the amount of time and energy required in which to secure such results. When the cooperative scheme fails to deliver these results as promptly as might be expected, such individuals tend to become discouraged and desire to withdraw. This condition may not only arise within the early days of a cooperative group but may arise from time to time thereafter. It is under such conditions as these that a strong nucleus of members, all fully convinced of the value of the cooperative enterprise who can be counted upon to support it during dark as well as sunshiny days, proves of greatest value. Neither the original organizers nor the paid employees of the group can possibly have the influence over weakening members that the encouragement of other members, who have similar interests and whose conclusions may, therefore, be accepted as of value, can exert.

Obviously, it is of utmost importance to the continued success of cooperative movements that there should be almost a continuous program of education and encouragement of its members. Many cooperative enterprises properly organized and soundly established have gone to pieces through the failure to provide such educational work after the establishment of the group. The management of cooperative organization is similar to the management of a political party in this respect; its members need to be kept in line in the same way that politicians keep their constituents in line.

To summarize, the promoters of successful dealer cooperation are called upon to render a high degree of unselfish service. It is quite as important to make sure that members are told what has been done for them as it is to tell them what cooperation will do for them. It is necessary to keep the organization as simple as possible so that individual members may at all times freely and easily reach the management, to express their opinions and wishes as to the services of the

group. Finally, one of the reasons for cooperation is to secure economies, so all actual direct expenses must be kept as low as possible.

The disadvantages of cooperation are, first, the amount of time and energy consumed in conferences and conversations to form the group, to effect working methods to carry on the activities of the group, and to keep it together. The individual retail dealer running his own retail shop, accustomed to taking his own initiative and making prompt decisions, on entering a cooperative group is likely to experience strong revulsions of feeling against what appears to be almost an utter waste of time expended in arriving at joint or cooperative decisions by the conference method.

As against the slow-moving methods of the cooperative group so wasteful of time and energy of all participating, there is a strong element of safety gained by thorough deliberation and careful consideration of all viewpoints expressed. The cooperative method is not well-adapted to making quick decisions or rapid changes. The cooperative group in a long-range way may be highly flexible, but in handling immediate details is extremely inflexible. Finally, the real weakness of the cooperative group is that its members may as easily and as promptly sell out their stores to chain organizations as any other independent retailers. Cooperative arrangements as a rule include no conditions for control in the ownership of the business.

The rapid development of chain store systems everywhere and in all lines has emphasized the value and the need for retail cooperation. There has been no movement among independent retailers in recent years so widespread, so carefully considered, and so full of possibilities for good and at the same time for waste, if not properly conducted, as cooperation among retailers. In a very real sense, cooperation is the only effective means of meeting the independents' present-day problems.

CHAPTER XIV

THE FAILURE RATE IN THE RETAIL BUSINESS

Business Death Tables.—One method of obtaining a clear idea of the physical troubles of humanity is to study the mortality tables. From the death rates one may find something concerning the relative importance of the causes of death, and from the study of these causes, scientists and physicians have been able to find remedies and thus reduce mortality. In the same way, a study of the failure statistics for retail stores should not only reveal the direct causes of failure, but may also lead to the discovery of methods of reducing the failure rate.

Definition of Terms.—Failure in the retail business, as understood here, does not necessarily, nor even usually, imply bankruptcy in the legal sense. It simply means discontinuance of a business because of inability to conduct it so as to make it yield at least a fair wage to the manager and a fair rate of interest on the capital invested. By a fair wage is meant such a wage as the manager could command in employment elsewhere, and by fair rate of interest is meant the customary or market rate. The commonest type of failure in the retail business is where the manager of a store finds that he is "losing money," that he is meeting expenses out of capital and not out of earnings, and that the business is going backward with no hope of recovery. Sometimes it is discovered that a business cannot be made to pay, and the decision to get out from under it is quickly made. In other cases, the final move is not made until the dealer's original capital is almost if not entirely gone. Occasionally the loss involves not only the dealer's capital but also a part of the funds loaned him in merchandise or in other

forms by his creditors. In any case, the store is finally sold or disposed of, and its manager sets out to embark in something else.

Credit Agency Statistics.—The usual failure statistics issued by such concerns as Dun and Bradstreet comprise only failures in which creditors lose something. No account is taken of that very large class in which the dealers are able to satisfy their creditors, but lose part or all of their own substance.[1] The proportion of total failures enumerated by Dun and Bradstreet must clearly be very small, and, consequently, such figures, if taken to show the actual failure rate in business, are misleading.

Many articles have been published and widely quoted, calling attention to the low proportion of failures to the total number of people in business as shown by Dun's tables. Upon this as a basis, the estimates of very much higher failure rates made by many experienced business men are criticized. That the word "failure" is used in an entirely different sense in each case is completely overlooked.

Early Failure Statements.—So far as the writer has been able to learn, one of the first public statements in this country concerning the failure rate among merchants was made in 1840 by General Henry A. S. Dearborn, then collector of the port of Boston, in an address before the members of the Massachusetts Legislature. His statement was as follows:

"After an extensive acquaintance with business men, and having long been an attentive observer of the course of events in the mercantile community, I am satisfied that, *among one hundred merchants and traders, not more than three in this city ever acquire independence*. It was with great distrust that I came to this conclusion; but, after consulting with an experienced merchant, he fully admitted its truth." [2]

[1] Bradstreet's "Failure Statistics—Their Meaning and Utility," 1910, p. 5.
[2] *Hunt's Merchants' Magazine*, 15:475.

This statement was questioned and doubted by other men in public life in Boston at that time, and caused other investigations to be made. The results of these, though in most cases not so definite, served to corroborate General Dearborn's testimony, at least to the extent that very few of those who entered the merchandising business were able to make a success of it.[3]

A generation later, a study was made among the merchants of Worcester, Massachusetts. It was found that out of 56 firms doing business in that city in 1845, one-fifth passed out within five years, two-fifths within ten years, and three-fifths within fifteen years. Following this statement an estimate was made for the retail business in general, to the effect that, out of all who begin as merchants, at least 25% fail within five years, 50% fail within ten years, and 66⅔% fail within fifteen years.[4]

Other Estimates.—In his testimony before the Industrial Commission in 1900, John Wanamaker stated that only about 4% of all who embark in mercantile business succeed. At the same time he quoted A. T. Stewart, a former great retailer and wholesaler of New York City, who used to claim that only 2% succeeded.[5]

Leroy Beaulieu, a great French economist, estimated that in France, out of 100 new businesses, 20 fail soon after starting, 50 to 60 vegetate, or are able simply to hold their own, while from 10 to 15 are successful.[6]

David A. Wells, a well-known American economist of the latter half of the nineteenth century, estimated that at least 90% of those who go into business fail.[7]

Professor Commons of the University of Wisconsin in his "Distribution of Wealth," page 202, quoted from some writer

[3] E. T. Freedley, Common Sense in Business, 1879, pp. 185-187.
[4] *Nation*, April 12, 1888.
[5] Industrial Commission, Vol. VII, p. 452.
[6] Répartition des Richesses, Ch. XI.
[7] Recent Economic Changes, p. 351.

not named, that "10% of the men who go into business succeed, 50% vegetate, and 40% fail." This statement is accepted as a basis upon which to build an economic doctrine concerning profits.

The Conflict of Statements.—Plainly these estimates are in conflict with such statistics as those offered by Dun and Bradstreet, unless the latter are interpreted correctly. For example, for the year 1910, Bradstreet's showed that 11,573 firms out of a total of 1,592,509, or .72% failed. Dun's for the same year showed 12,652 failures out of a total of 1,515,143 firms of all kinds, or .80%. In no year since either of these two concerns has begun to collect statistics on failures have the percentages even equaled 1½% of the total number of concerns in any one year.

But for the year 1910, Bradstreet's tables show that over 321,000 names of firms were taken off their lists, amounting to more than 20% of all the concerns in business during that year. In addition to these, a large number of changes were noted in firms, some of which, at least, must have been due to weakness and failure. No explanation is attempted for these.

The Oshkosh Study.—To get a little more definite idea of the actual proportion of failures in the retail business, the writer undertook a study of the failures in Oshkosh, Wisconsin. While this study ends with 1912, its facts are so typical and its conclusions so closely applicable to present-day conditions that it has been deemed advisable to include the figures in their original form.

With the help of the city directories, lists were compiled of all persons who had engaged in certain lines of the retail business from 1890 down to 1912, and the changes in personnel from year to year were noted. By interviewing a number of the older merchants and other old residents of the city, the attempt was made to find out why each retailer who had discontinued business during the period under study had

dropped out, so that the actual number of failures could be learned. The following represents the results of this study.

General Facts About Oshkosh.—In order that the conditions of the city may be understood and that the figures showing the mortality rate of its retail business may be given proper weight, the following general facts are presented:

The population of Oshkosh in 1890 was 22,836; in 1900 28,284; and in 1910, 33,062. It is located in the heart of a rich agricultural area of eastern Wisconsin, and is the county seat of Winnebago County. The population is made up almost entirely of whites of North-European extraction. Among the adults, foreign-born are slightly in excess of native-born of foreign parents; and this class is somewhat in excess of native-born of native parents. Most of the foreign-born adults of voting age are naturalized citizens, according to the 1910 census report. Among the foreign-born, Germans predominate, and among the native-born of native parents, New England and New York strains prevail. According to the statement of an old merchant, "The Yankees, the Germans, and the Irish run the town."

From 80% to 90% of the land area in the county is in farms, and the average value of farm land per acre was not far from $75 in 1910. Most farms run from 40 to 160 acres in size, the average size being 95 acres, and the average number of acres under cultivation, 68 acres. About 20% of the farms are managed by tenants. Milk and milk products, corn, oats, barley, and potatoes are the most important products.

The manufacturing industries of the City of Oshkosh employed over 6,000 people and a capital of $10,000,000; wages and salaries paid by these same industries amount to about $3,250,000 annually. The chief manufacturing industry is woodworking. A large number of the people employed are either unskilled or only semi-skilled.

There were 835 persons within the city paying an income

tax for 1911. Out of this total, 132 retail dealers were income-tax payers, but 94 of these had other sources of income than their stores. Only 41 of the income-tax payers received their incomes from the stores alone. Among these, saloon-keepers ranked highest with a total of 8, grocers came next with 5, and druggists third with 3.

The sales of the stores, according to estimates made by leading merchants, amount to about $2,000,000 annually in groceries, including butter, eggs, fruit, and vegetables; $1,000,000 annually in dry goods, notions, women's and children's ready-to-wear goods; $350,000 in men's and boys' clothing; $250,000 in shoes; and $150,000 in hardware; all at retail prices.

Oshkosh a Typical City.—In general, these conditions were very similar to those of other cities of the Middle West, and no unusual or peculiar conditions, so far as the retail trade is concerned, existed. The town had no booms within the period under consideration, nor any particular slumps. The population and industries of the city, as shown by a study of the past censuses, had slow, gradual growths. In such a place as this, if anywhere, we should be able to find normal tendencies operating in the retail business.

The Table of Retail Dealers.—Table 30, page 403, shows the number of retail dealers in the city handling the following lines of goods—groceries, shoes, dry goods, men's clothing, hardware, furniture, and drugs. All other lines are omitted. After the date 1890, in the left-hand column of the table, appears first the number of dealers in business in that year. Following the line to the right, one may trace the gradual dropping out of the original dealers by noting the diminished numbers at each date. After the year 1893, in the left-hand column of the table, under the appropriate place, appears the number of new dealers found in the new 1893 directory—dealers who were not in the 1890 list. These new firms are followed through

to the end of the period in the same way as those found in the 1890 list. The 1912 column shows the number remaining of each group. In the same manner, for each year in which a directory was issued, the number of new firms listed is noted and then traced down to 1912.

The table is to be interpreted as follows:

Of the total number of merchants in business in Oshkosh in 1890, 145 in all, only 18 remained in 1912. Of the 43 new dealers who began business between 1890 and 1893, only 8 remained in 1912. Of the 61 who began between 1893 and 1895, only 9 remained in 1912. Of the 52 new ones listed in 1898, 13 remained in 1912, and so on.

TABLE 30. CHANGES IN RETAIL DEALERS IN OSHKOSH FROM 1890 to 1912

	1890	1893	1895	1898	1900	1903	1905	1908	1910	1912
Existing stores, 1890	145	117	91	73	50	37	29	27	18	18
New firms:										
1893	.....	43	24	18	15	12	11	9	8	8
1895	.....	.....	61	33	20	19	17	16	13	9
1898	.....	.....	.....	52	34	26	20	15	15	13
1900	.....	.....	.....	.....	45	31	19	13	10	9
1903	.....	.....	.....	.....	.....	35	24	19	16	13
1905	.....	.....	.....	.....	.....	.....	32	19	13	10
1908	.....	.....	.....	.....	.....	.....	.....	35	24	20
1910	.....	.....	.....	.....	.....	.....	.....	.....	41	34
1912	.....	.....	.....	.....	.....	.....	.....	.....	.....	38
	145	160	176	176	164	160	152	153	158	172

Results of the Survey.—It appears from the table that there was a general increase in the number of retailers from 1890 up to 1898, and then a decrease up to 1908, followed by another increase up to 1912. Clearly the number of retailers did not increase during the period as rapidly as the population increased. While the population increased from 28,000 to 33,000 between 1900 and 1910, the number of retail stores actually decreased from 164 to 158.

The city was supplied with 145 retailers in 1890 and with

176 in 1895 and 1898. These figures represent the range. The average is nearly 162 for the period. To keep the city supplied with this number of stores during the period of 22 years, 526 people embarked in business and invested their money and time. Out of these, 354 dropped out, leaving 172 at the end of the period. One of the remarkable things about the showing is the continuous inflow and outflow of people, keeping the total number engaged in business at any one time so close to the average.

To determine the causes of dropping out, the writer was able to get information concerning 201 out of the total of 354 who quit business during the period. This information was gained largely from wholesale and retail merchants who had been in business during the entire period and had watched the development of the retail business and noted every change with a competitor's interest. Out of the total of 201, the general causes for dropping out of business were as follows:

TABLE 31. CAUSES FOR DISCONTINUING BUSINESS

Cause	No. of Stores
Death	24
Retired because of ill health	1
Bankruptcies handled by courts	6
Failures or fizzles	124
Sold out, probably representing losses*	27
Sold out, representing gains†	14
Retired with competences†	5
Total	201

* According to the belief of the writer's informants, some loss, amount or extent not known, was involved in each of these.

† Success as defined by the writer's informants was often a very moderate thing. One of the merchants was able to buy and pay for a farm from the proceeds of his sale. Another of the retired merchants has an income of about $800 a year from his investments. The majority of the 14 went into other businesses. Some of the most successful merchants in the city are still in business, and are there-ore, not included in the table.

Out of the total of 354 who dropped out during the period, 153 could not be accounted for. Whether they succeeded or

not could not be learned. It seems that most of them quietly disposed of their businesses and slipped out, and the changes in ownership of their stores were hardly noted by the people of the city. It seems safe to venture that none of them were very successful or they would have attracted the attention of competitors. On the other hand, if they failed, it was probably not failure that involved any extensive loss to creditors, or the latter, particularly the Oshkosh wholesale houses—in the grocery line at least—would have recalled them more definitely.

Summing up the Situation.—In discussing the situation with some of the older merchants and with managers of wholesale houses, it seemed to be the general estimate that those who have entered the retail business in the city had, on beginning, sums ranging on the average from $300 up to $1,000 saved up from wages, or gained in some other way, frequently by inheritance; and that with this, and as much credit as wholesale houses would grant, they began business. A few, as we have noted, were able to make a success of it, but the great majority fizzled out. The majority of retail concerns in the city have a life of from less than 1 year up to 8 or 10 years, with the average centering about 6 years. More drop out during the first year than during any other year of trial.

The story of the retailer who fizzles out seems to be somewhat as follows: he comes into business with a capital of his own of from $300 to $1,000, usually gained from some occupation other than retailing. He spends a few years in the business, struggles hard to make it go, and then slips out with little or nothing of his original capital, and nothing but a bare living to show for his labor and often for the labor of members of his family also.

There seems to be a steady flow of capital, generally in small sums saved from other occupations, into the retail business. Here, in the course of a few years, it is consumed or lost,

and those who contribute it are forced to get out and try other occupations again or work as clerks, giving the results of their experience to other retail store employers. The contributions of capital to other businesses from the retail business seem to be insignificant compared with what goes into it. It thus appears that under present conditions, retailing is at least partly parasitic, though indirectly and involuntarily so.

Previous Occupations of Oshkosh Merchants.—Some light may be thrown on the sources of the capital put into the retail business by a study of what occupation each of the pres-

TABLE 32. OCCUPATIONS OF OSHKOSH MERCHANTS BEFORE GOING INTO PRESENT BUSINESS

DRUGGISTS:		DRY GOODS:	
Drug clerks	11	Merchants before	3
JEWELRY:		Dry goods clerks	3
Watchmakers	6	Peddler	1
General tinker	1	Grocer	1
Tailor	1	Farmer	1
Factory hand	1	Shoe merchant	1
SHOES:		Carpenter	1
Shoe clerks	11	Housewife	1
Cobblers	6	GROCERS:	
Grocery clerk	1	Grocery clerks	16
Factory hand	1	Factory hands	16
Barber	1	Housewives (widows)	9
CLOTHING:		Farmers	9
Clothing store clerks	9	Grocers in other places	8
Dry goods clerks	3	Butchers	4
Grocery clerk	1	Bakers	3
Saloon-keeper	1	Milkmen	3
FURNITURE:		Carpenters	2
Cabinetmakers	2	Traveling salesmen	2
Clerks in furniture store	3	Saloon-keepers	2
Factory worker	1	Musicians	2
Farmer	1	Section man on railway	1
HARDWARE:		Teamster	1
Hardware business formerly	2	Motorman	1
Hardware store salesmen	2	Blacksmith	1
Tinsmiths	2	Cigar maker	1
Traveling salesman	1	Shoemaker	1
Furniture manufacturer	1	Machinist	1
Iceman	1	Sewing machine agent	1
		Policeman	1
		Grain buyer	1
		Coal merchant	1

ent owners of retail stores in Oshkosh came from preceding the present work.

Table 32 also shows that a very large number of those who go into retailing have neither experience nor knowledge of the business. "Anybody can keep store" is the slogan. It seems a matter for small wonder, then, that so few are able to succeed.

Study of Retail Trade Mortality in Buffalo, 1918-1928.—An interesting and careful study of the changes going on in ownership and management personnel of retail stores in groceries, drug stores, hardware stores, and shoe stores was made in Buffalo for the period from 1918 to 1928.[8] In this study, changes were studied as presented in Polk's Buffalo City directories.

The results of the study are very enlightening. In the grocery field, approximately 60% of all concerns established lasted but 1 year or less. In the shoe and hardware lines the mortality during the first year was found to be 43.8% and 34.5% of those who entered, respectively. In the drug field only 26.6% withdrew during the first year.

Number of Changes Per Year in Various Retail Trades.—Additional light on the failure rate in the retail business, or at least on the rate of change in ownership of retail concerns is contributed in a table presented below showing the average number of new businesses and changes reported annually in each of the more important retail lines in the United States by the Commercial Service Company, a concern specializing in reporting business changes.

Causes of Failure.—For the causes of failure among retailers we may refer to the classifications of Dun and Bradstreet. While these concerns count only failures of a limited class, the causes that operate to drive dealers over into this

[8] E. D. McGarry, Retail Trade Mortality in Buffalo, 1918-1928, Bureau of Business and Social Research, University of Buffalo.

TABLE 33. AVERAGE NUMBER OF NEW BUSINESSES AND CHANGES REPORTED ANNUALLY IN EACH LINE FOR ENTIRE UNITED STATES

(From Commercial Service Company, New York)

	(Approximate)		(Approximate)
Automobile dealers	6,000	Jewelry retailers	2,000
Automobile accessory retailers	4,000	Lumber retailers	2,000
Automobile repair shops	2,000	Lunchrooms	2,000
Bakers	3,500	Meat markets	5,000
Book retailers	500	Men's furnishing retailers	5,000
Building supply dealers	1,000	Millinery retailers	3,000
Cafeterias	2,500	Musical instrument and phonograph retailers	3,000
China retailers	500	Notions retailers	2,000
Cigar and tobacco retailers	2,000	Paint retailers	1,500
Cloak and suit retailers	4,000	Piano and organ retailers	1,500
Clothing retailers (men's)	6,000	Pool and billiards	1,000
Confectionery retailers	6,000	Queensware retailers	500
Delicatessen stores	1,000	Radio retailers	3,000
Department stores	1,000	Restaurants	10,000
Drug retailers	5,000	Shoe retailers	5,000
Dry goods retailers	5,000	Sporting goods retailers	1,000
Electrical stores	2,000	Stationery retailers	1,000
Filling stations (oil and gasoline)	7,000	Tailors	2,000
Florist retailers	1,000	Tea and coffee retailers	1,000
Furniture retailers	4,000	Tea rooms	1,000
Garages, public	10,000	Tire and vulcanizing shops	2,000
General stores	7,000	Toy retailers	1,000
Gift shops	1,000	Variety and 5 and 10 cent retailers	4,000
Grocery retailers	16,000	Women's furnishings retailers	3,000
Hardware retailers	4,000	Advance building reports of new stores	25,000
Harness retailers	500		
Hat and cap retailers	1,000		
Hotels	7,000		
Implement retailers	1,000		

These figures are for the entire country. Proportionate figures would apply for sections comprising one-third or one-half of the country, and so on.

class of failures are everywhere operative and probably in about the same proportions as found by Dun and Bradstreet. These causes, stated generally, are as follows:

Failure Rate High.—In conclusion, the failure rate among retail dealers is very high. It was high in 1912. It had been high in previous years. It is high at the present time. It should be noted, however, that but very few of the failures in the retail business reach the stage of bankruptcy proceedings. The large majority of such cases are averted by the dealer settling up or selling out before the crash. The fact that a large number

TABLE 34. BRADSTREET'S CLASSIFICATION OF BUSINESS FAILURES*

BEGINNER'S HANDICAPS:	
Lack of capital	29 7
Incompetence	30.2
Inexperience	4.6
Unwise credits	2 0
	66.5
PERSONAL FAULTS OF CHARACTER:	
Fraud	10.3
Neglect of business	2.0
Personal extravagance	.7
	13 0
FACTORS THREATENING SUCCESS:	
Competition	1.9
Failure of others	1.3
Speculation in other business	.8
Specific conditions (disaster, etc.)	16.5
	20.5

* Adapted.

of small dealers own only their stock and rent their buildings makes it easy to sell out and settle with wholesalers or others to whom money is due whenever the dealer finds himself going hopelessly backward. It is the business of the credit men of wholesale houses to watch over all concerns exhibiting weakening tendencies, and to shut off credit and make prompt collections as soon as the dealer's own capital begins to diminish. Thus, while the dealer may lose a large part or all of his own investment, the creditors may be able to come out of the settlement with little or no loss.

The Wholesaler and Retail Failures.—Most failures in the retail business are simply closed out in a quiet, informal way, and the public never learns just what the exact financial situation was. A new man with new capital seems to be ready to slip in and try his fortune as soon as the old dealer steps out. No lesson is drawn from the accumulated experiences of the vast number of failures that have taken place in the past.

TABLE 35. CLASSIFICATION OF CAUSES OF FAILURES IN THE RETAIL BUSINESS

(By O. W. Mayer, Credit Manager, Steele, Wedeles and Co. Adapted from *System*, February, 1914.)

BEGINNERS' HANDICAPS:	
Lack of capital	29.5
Incompetence (including inexperience)	24.0
Unwise credits	4.4
General expense too high	3.0
Poor location	2.2
Expansion (branch stores)	2.0
	65.1
PERSONAL FAULTS OF CHARACTER:	
Fraud	4.0
Neglect of business	4.0
Personal extravagance	4.8
Intemperance	2.0
	14.8
FACTORS THREATENING SUCCESS:	
Loss by storm, flood, fire, etc.	3.8
Sickness	3.5
Failure of others	2.6
Speculation	2.1
Competition	1.4
Closed by "sharks"	1.2
Robbery of store	1.0
Death	.8
Loss in contracts	.8
Miscellaneous causes	2.9
	20.1

For the most part the system by which elimination takes place is such as to preclude the outside public from gaining from the experiences of others. Those who do know most about it—the wholesalers—find it contrary to their own interests to check people from going into business, even when the chances of ultimate failure are very great. A new store is a new customer, and the wholesaler considers that by keeping close watch of its development through his credit department, he may be able to pull out whole before the inevitable end. Besides,

the final outcome is not always failure in spite of all signs and indications. Some of these new men do make good, and it is worth while making them customers when they are just starting in business.

Failures among retailers are a continual source of trouble and expense to wholesalers, but the incentive to supply a new man with goods when he comes with cash in hand, and a certain line of credit for a while at least, is stronger than the incentive to advise him to keep out of the retail business. If one wholesaler does not supply him, another will. So, while wholesalers as a rule are vitally interested in seeing their customers succeed, they are not in position to act as judges on who should, and who should not, enter the retail business.

How Relief May Come.—Relief, if it is to come, must come through a system of general education through press and schools in the elements of distribution of goods, in the work that must be done in the vocations within this field, in the qualifications that are required of those who take up this work, and in the perils that attend it. Something could be done by means of public regulation, perhaps, through a license system, to limit the number of persons who are to engage in retail trade, and to give the opportunity to prescribe or insure that all of those who do enter shall have some fitness and necessary qualifications for serving the public properly. But it is not likely that such regulations of the retail business can be carried out in this country. The inherent belief in the freedom of industry and of trade that is the product of two hundred and fifty years of thinking among English-speaking people, will hardly permit any sudden change to a practice involving such regulation, no matter how necessary such a change might be.

CHAPTER XV

RETAILING ABROAD

The retail business as conducted in other countries has deep interest for American students. Much of what makes up our retail policies and methods has come from abroad. American methods are, in turn, studied and copied in other countries. Although there are wide differences in many details, systematic comparison may be of great value. American retailers may learn many things by study of retailing abroad. There are numerous points upon which retail institutions elsewhere can enlighten retailers in this country.

Within the scope of a single chapter, such as follows, it is clear that only some of the more general facts concerning retailing in a few of the other nations can be presented. For the present, a description of the development of retailing in the Latin-American countries, in South Africa and Australia must be omitted. Because the origins and relationships of American retailing lie in Europe, most of the chapter will be devoted to European retailing.

1. **Canada.**—In Canada the development of retailing has been much the same as in the United States, beginning with the early French trading posts of the seventeenth century, the general merchandise stores of the eighteenth and nineteenth centuries, followed during the nineteenth century by the independent unit stores. In the latter part of the nineteenth century, while department stores and mail order houses were coming into existence in the United States, a similar development was occurring in Canada. In recent years, chain stores have become important factors. In proportion to population, the develop-

ment of these types of stores has been fully as extensive in Canada as in the United States.

The most important retail institutions in Canada are the magnificent, modern department stores owned and operated by the T. Eaton Co. Ltd., the Robert Simpson Co., and the Hudson Bay Co.

A brief description of the Hudson Bay Co. was presented in the chapter on chain stores.

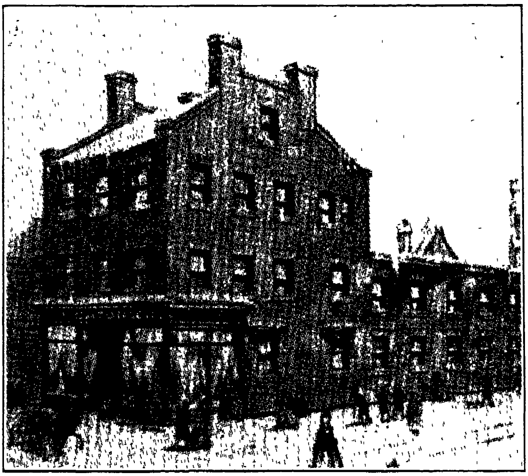

Figure 59. The Original Eaton Store in Toronto

Opened in 1869. Typical retail store serving as dwelling house above the ground floor. This illustration and the two following pictures are reproduced here by courteous permission from "Eaton's of Canada," by S. H. Ditchett.

The T. Eaton Co. is an institution with remarkable ramifications. It not only conducts several very large department stores in the principal cities of Canada, including Toronto, Montreal, Winnipeg, and Vancouver, but also, through a company known as Canadian Department Stores, Ltd., it has smaller department stores in nearly all of the medium-sized cities of the Dominion as well. There were at the beginning of 1929, altogether, nearly 50 department stores in this organization. The T. Eaton Co. also operates a chain of groce-

terias in Toronto and other eastern cities. Its mail order business is the most extensive in the Dominion of Canada. It has mail order distributing depots in over 20 cities from which goods are shipped to mail order customers.

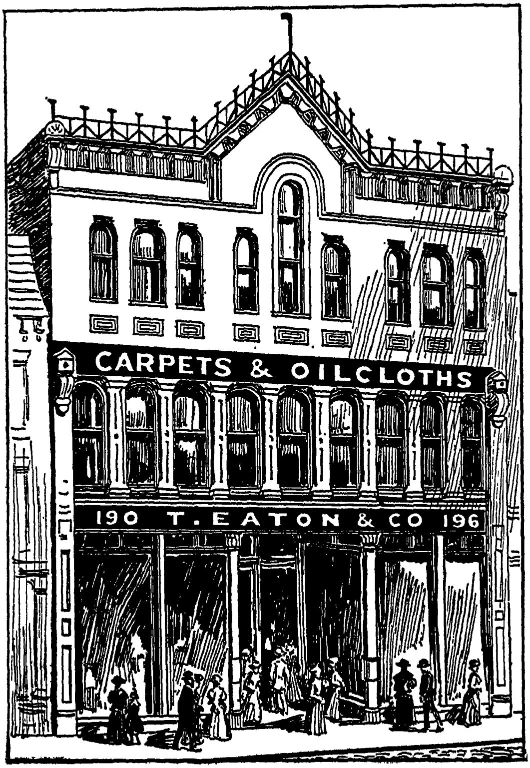

Figure 60. The Eaton & Co. Building Erected in 1883

Note its plate glass display windows and spacious light well. This was regarded as a fine specimen of store designing and equipment during the 1880's. (From "Eaton's of Canada," by S. H. Ditchett.)

The sales of the T. Eaton Co. have not been published, and estimates made by outsiders vary so widely as to indicate their baselessness. It is roughly guessed that the total sales of this organization through all outlets, including the mail order business, may amount to more than $300,000,000 yearly. The

T. Eaton Co. is commonly said to be the largest mercantile institution in the entire British Empire.

The Robert Simpson Co., next in size, conducts a chain of excellent department stores among which the most important are located in Toronto, Montreal, Winnipeg, and Halifax. It also has a very extensive mail order business.

The Robert Simpson Co. has also built up a very extensive business by telephone. Telephone selling is a new

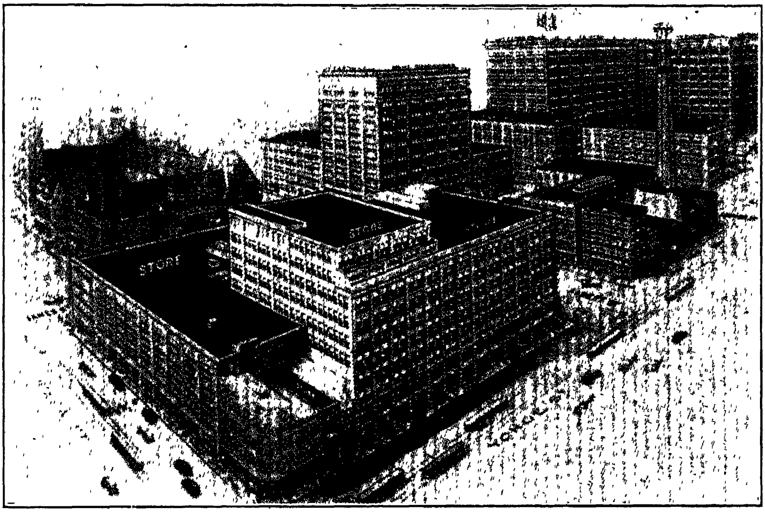

Figure 61. The Present Plant of the T. Eaton Co.
From "Eaton's of Canada," by S. H. Ditchett.

development in retail distribution. The telephone has long been effectively used as a service medium for customers. Making the telephone an instrument of aggressive selling is another matter. This probably has been carried farther in the Robert Simpson store in Toronto than in any other in the world. It employs constantly more than 100 skilful saleswomen in securing business by telephone. It has had as high as 26,000 telephone sales in a single day. It secures a volume of more than $2,000,000 annually by telephone. Instead of ordering goods

by mail, customers are being trained to use their catalogs and telephone their orders to the nearest Simpson store. There the telephone orders are handled in the same way as regular mail orders.[1]

Chain Stores.—During recent years, chain store growth in the grocery, drug, variety goods, and other fields, has been very rapid, and this growth has been marked by developments of mergers much the same as in the United States. Among the larger grocery chains in Canada are the Dominion Stores, Ltd., with headquarters in Toronto, Pure Food Stores in Montreal, and Loblaw Groceterias Ltd. in Toronto. The Loblaw chain also has extensive developments in the United States. A recent report indicates that the Dominion and Loblaw stores have been combined into one large chain system.

Several of the chain store systems in the United States also have established themselves in Canada. Among these are the Great Atlantic & Pacific Tea Company, F. W. Woolworth Co., Liggett's, S. S. Kresge, J. C. Penney Co., Schulte-United, and Piggly Wiggly.

There are marked developments of the chain idea in other fields. The Bank of Canada, for example, has over 600 branches scattered throughout the Dominion.

In the face of the rapid development of chains and of powerful department stores, the independent retailers of Canada have apparently gone farther than in the United States in the direction of organizing and operating cooperative buying groups. There are estimates indicating that the total volume of sales through retail stores that are members of cooperative groups is even greater than the sales through the chain store systems.

Consumers' cooperation has made a strong place for itself in rural western Canada and also in the East in Nova Scotia. The consumers' cooperatives have successfully met the com-

[1] J. George Frederick, Selling by Telephone.

petition of other types of retailing, and it is believed by some that they may continue to grow extensively.

In western Canada, particularly in Vancouver, there is another important factor in the retail situation. A large proportion of the total retail trade, particularly in foodstuffs, is carried on by orientals. Reports indicate that the Chinese retailer has been able to hold his own successfully against the keenest of chain store competition.

2. Great Britain.—England is the land of small shops. In the historical survey presented in Chapter III, attention was drawn to the many types of retail institutions found in England in past centuries. The great diversity of retail shops which existed during the eighteenth century and continued through the nineteenth century has helped to fix the character of present-day British retailing.

Following the Industrial Revolution going on in the early part of the nineteenth century, the mass production in the textile lines led to the establishment of larger and more important dry goods stores, some of which have continued in existence down to the present time. Among these may be mentioned Thomas Wallis, Ltd., founded in 1826, and Peter Robinson, in 1833. James Shoolbred's and William Whiteley's both date back beyond the middle of the nineteenth century.

Although there are now many large retail institutions in England much the same as in the United States, great retail store buildings are the exception rather than the rule. English department stores, or retail distributing houses as they are called, where they exist, are generally aggregations of many small shops. Due to municipal building regulations, retail stores are rarely more than five or six stories high. The big retail distributor in England is but the owner of a collection of many small shops.

Retail distributing houses began to develop in England somewhat later than in the United States. Some have shown

a marked and rapid growth during the past generation. The largest are John Barker & Co., Harrods, and Selfridge. Each of these concerns is said to have retail sales in excess of £6,000,000, or more than $30,000,000 per annum. Other important retail distributing houses in London include William Whiteley's; James Shoolbred's; Henry Glave's; Gamage's; Marshall & Snelgrove; Thomas Wallis; Peter Robinson; Liberty & Co.; Swan & Edgar; and Dickins & Jones. There are also several others. The Army and Navy and the Civil Service Supply Cooperative Distributors are also highly important retail establishments of the department store type.

Outside of London, among the largest concerns, are Lewis' three stores located in Manchester, Liverpool, and Birmingham; Cooper & Co. with several stores in Scotland and northern England; and Waring & Gillow in Liverpool and Manchester.

The trend toward mergers among the British is exceedingly well-marked. The largest organization of retail distributing concerns is Debenham's, Ltd., which, at the opening of 1929, included more than 70 stores scattered throughout Great Britain. Debenham's was originally a wholesale house which, over a period of several years, came into possession of many well-established retail stores. Next, a holding company, known as Drapery Trust, Ltd., was established which obtained control by purchase and otherwise of a large number of retail stores in London, in the provinces, and in Scotland. To this organization were also added some well-known dry goods and apparel chains such as Bobby & Co., a chain of apparel shops operating in southeastern England; Marshalls, Ltd., operating a chain in north central England; and Plummer-Roddis, Ltd., operating a chain in southwestern England. This aggregation has given Debenham's, Ltd. the leadership, in point of size, over all other British retail dry goods and apparel institutions.

The second largest organization is Selfridge & Co., centering in the very fine department store on Oxford Street, Lon-

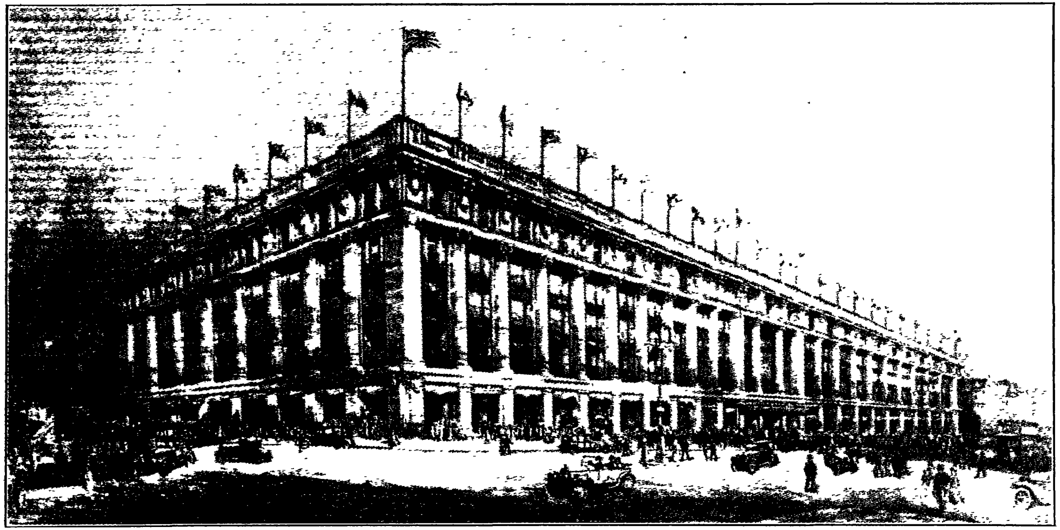

Figure 62. Selfridge & Co. Ltd., London

One of the three largest retail stores in England. A very attractive building in classic design.

Figure 63. Harrods Ltd., London

One of the largest, best-known, and successful retail distributing establishments in England.

don, established in 1909, by H. Gordon Selfridge, a former associate of Marshall Field in America. It was the first department store in London to have a typical modern department store building, a single, large unit, planned from the start to render the best possible department store service. Although now a score of years old it is still a model in many respects for retail institutions the world over.

The Selfridge store proved successful from the start. Conservative London was won to this new type of store and gave its patronage liberally. Shortly after the World War a number

of provincial stores were acquired, and in 1927 William Whiteley's, Ltd. of London was added to the organization. More recently, Selfridge & Co. has established a chain of 3d. and 6d. stores, much like the Woolworth 5 and 10 cent stores, known as John Thrifty, Ltd.

H. Gordon Selfridge, Sr., continues as the guiding genius of these developments bearing his name. His son, H. G. Selfridge, Jr., though a young man, has shown remarkable business and organizing ability. He is now the directing head of the chain of about 20 provincial stores. Under his direction it may be expected that this concern will continue to grow.

Harrods, Ltd. also owns and controls Dickins & Jones, Ltd. in London; Kendal Milne Co. in Manchester; and has a branch store in Buenos Aires under the name of Harrods, and a chain of many stores in other South American cities under the title, Gath & Chaves, Ltd. Harrods has shown no recent

Figure 64. Harrods Millinery Salon
From "The Secret of Harrods."

Figure 65. Harrods Men's Tailoring Section
From "The Secret of Harrods."

tendencies toward expansions in other stores in England. Swan & Edgar in London, formerly owned by Harrods, was sold and is now a part of Debenham's, Ltd.

John Barker & Co. owns two other stores in London and controls a chain of cake and other baked goods shops named Zeeto, Ltd.

Sir Woodman Burbridge, head of Harrods, Sir Sydney M. Skinner of John Barker & Co., H. Gordon Selfridge, and Percy A. Best of Shoolbred's, to mention but a few, may be classed among the ablest retail merchants in the world.

There is an important mail order business in Great Britain but, unlike the experience of America, this business has developed as a part of the large shops in the metropolitan centers. John Barker, Harrods, and Selfridge, and the other large stores in London issue catalogs and circulars periodically to large

lists of customers. Great numbers of orders are received, and because of the small size of England, together with excellent transportation facilities, it is possible to make deliveries anywhere within a day, or two days at most. The larger London retail stores also enjoy a very considerable mail order business from the British dominions and colonies. This is promoted by means of catalogs, by direct mail matter, and by advertising in British periodicals which go to all parts of the Empire.

Consumers' Cooperatives.—The consumers' cooperative organizations, as indicated in the chapter on consumers' cooperative stores, are very powerful in Great Britain. There is no single retail institution comparable in size or power to the cooperative. It has over 10,000 retail shops and its sales amount to more than $1,000,000,000 per year. The most important competitive struggle going on in England today is between the

Figure 66. Harrods Silver Salon
From "The Secret of Harrods."

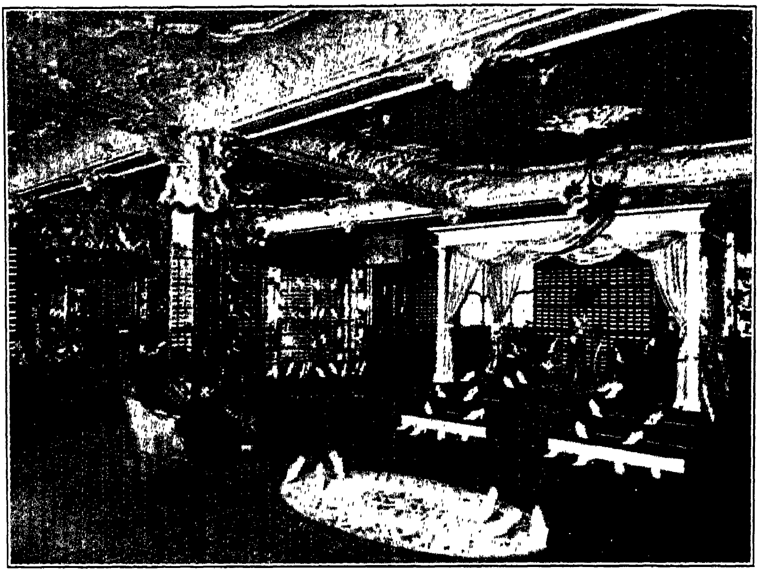

Figure 67. Ladies' Footwear at Harrods
From "The Secret of Harrods."

Figure 68. Harrods Fur Salon
From "The Secret of Harrods."

consumers' cooperatives and the rapidly rising chain stores, or multiple shops as they are called.

Chain Stores.—Among the largest and best-known multiple shops in the grocery and food lines are, Lipton's, Ltd., the Maypole Dairy Co., Home and Colonial Stores, and International Tea Co., each of which has about 1,000 shops or more.

In the drug field, Boots, Ltd., owned by Drugs, Inc., the Liggett organization of the United States, operates more than 850 stores. This organization, together with several other chain concerns, dominates the drug store field in England.

Chain stores or multiple shops are likewise very important in the sale of boots and shoes, in tobacco products, as well as in variety goods. The F. W. Woolworth Co., has numerous 3d. and 6d. stores scattered over Great Britain, and Marks & Spencer operate in a field in England comparable to that of the business of the W. T. Grant Company in the United States. It sells no goods over 5s. in price.

The leading chain organization in the restaurant business is J. Lyons & Co., which has several hundred popular restaurants in Great Britain. It is the Childs of Great Britain but has more outlets than the Childs restaurants.

Independent Stores.—The power of the large metropolitan retail distributors and of the consumers' cooperatives, together with the recent development of multiple shops, has made the situation very difficult for the independent shop-owners in Great Britain, but, despite the competition of these giants of retail trade, it appears that the small independent shopkeepers are able to hold their own. To do so, however, intensive efforts have been made in several directions such as:

1. Agreements with manufacturers, particularly of branded goods, for control of resale prices through such organizations as the Proprietary Articles Trade Association (P. A. T. A.) in the chemists' and drug lines.
2. Through carefully worked out systems of education for

persons entering the retail trade as provided by the Chartered Institute of Grocers.

3. By a very intensive development of cooperative buying on the part of groups of independent retailers in all parts of Great Britain.

Retail trade associations, which exist in all of the more important lines of retail trade, appear to be more closely knit together in Great Britain than in America. Their efforts are also apparently more definitely applied toward meeting the specific problems of competition than has heretofore been the case in this country. The retail trade in England probably presents a condition of maturity toward which American retail trade is rapidly growing.

Comparison of British and American Retailing.—Among the outstanding differences in conditions and methods of operation in England as compared with the United States, perhaps the most important is that the gross margin upon which the retail business is conducted is considerably lower than in the United States. The expenses of doing business are likewise lower. The retail profits of successful concerns are very much the same. Operating expenses in American department stores, as we shall see in a later chapter, range from 27% to 30% of sales. In Great Britain, the operating expenses of similar classes of institutions range from 19% to 23% of sales. Salaries and wages are generally considerably lower in England than in the United States. Rentals are also lower. Advertising, on the other hand, is higher but there are many retail stores that use very little outside publicity and have succeeded in spite of lack of advertising.

In general, retail store organization is not carried to the point of division of labor common in American stores. There are fewer non-selling employees in English stores. Salespeople do more of the non-selling work during their spare time. The hours of work are commonly from 8:30 in the morning to

6:30 in the afternoon. Employees are generally allowed a half-day off per week. Unmarried employees in many retail institutions live in quarters provided by the retail institution. This is known as the "living-in" system. Most British retailers attempt to give careful training to employees, not only in courtesy to customers but also in intimate detailed knowledge about the merchandise handled. The labor turnover is very much lower than in the United States. Large department stores in London are said to have rarely more than a turnover of 25% in employees per year, whereas in the United States a turnover of 100% per year is not infrequent.

3. **France.**—French cities and towns are crowded with small shops of all kinds. These little shops are usually conducted by families residing in the same building, either back of the shop or in the story above. Often while the husband waits on customers in the front of the store the wife acts as cashier and bookkeeper. France is a country, however, of great extremes in the matter of retail institutions. It not only has some of the smallest shops in the world but likewise some of the largest department stores. The Bon Marché, one of these giants, is credited with being the first department store ever established.

The Bon Marché was founded in 1852 by M. Jacques Aristide Boucicaut (1809-1877), a self-educated man who had served an irregular apprenticeship as a peddler's assistant. His business proved immensely successful.

Under the régime of Napoleon III, the Bon Marché, in common with all Paris industries, grew very rapidly. By 1869, shortly before the end of this régime, the sales of the Bon Marché had risen to 21,000,000 francs. Émile Zola, in *Au Bonheur des Dames,* gave it and the Louvre, another Paris department store that came into existence after the Bon Marché, a most glowing description.

After M. Boucicaut's death in 1877, the Bon Marché was managed until 1887 by his widow, a woman of very great abil-

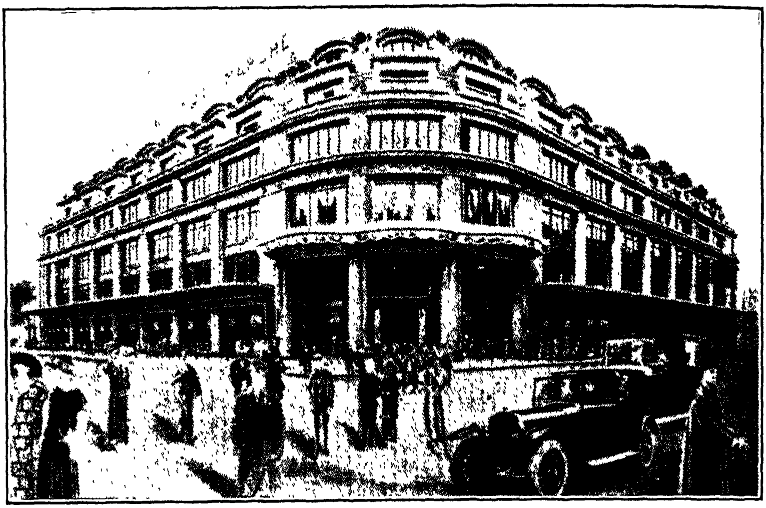

Figure 69. The Bon Marché of Paris

The first modern department store in the world. Established in 1852. (From "Kauf und Warenhäuser.")

ity. The business was then turned into a joint stock company, the stock of which had been bequeathed by M. and Mme. Boucicaut to the employees of the store.

Early in life, M. Boucicaut had been greatly impressed by the possibilities of profit-sharing. French economists and industrialists of the middle nineteenth century studied this proposal deeply. Boucicaut set out to do in his big store what LeClaire had done in the house painting business and Godin in the iron industry. A provident fund and an old-age pension system were adopted, and finally the entire business was turned over to the employees.

For many years the Bon Marché was one of the leading examples of profit-sharing in the entire business world. Each employee has the right to vote. The affairs of the business are managed by a board of three directors, each elected by the employees for a period of three years. All employees after a period of service become part owners. The direction of the store has been very keen and effective.

The Bon Marché conducts several branches in France, Algiers, and Egypt. It also has acquired possession of the Palais de La Nouveauté, formerly Dufayel's. This concern conducts a very large instalment business in furniture and home furnishings. Its goods are successfully sold on easy payments not only in Paris but through a large number of branches or agencies scattered throughout France.

The sales of the Bon Marché in Paris are now probably in excess of 600,000,000 francs, and the sales of the Palais de La Nouveauté and branches are said to be over 200,000,000 francs.

The Bon Marché was not only the first department store but it served as the inspiration to the establishment of department stores in all parts of the world. A. T. Stewart in New York, John Wanamaker in Philadelphia, Eben Jordan in Boston, and Marshall Field in Chicago all credit M. Boucicaut as the source of many of their ideas. It is known that these merchants and many others followed closely the developments of M. Boucicaut with deep interest. Very early in the 1850's, M. Boucicaut established policies and methods which were then revolutionary, such as the sale of goods on approval, guarantees of satisfaction, and of sales at fixed, marked prices. These were radical steps in retailing in the middle of the nineteenth century.

The Louvre was founded in 1855 by Chauchard and Hériot. Chauchard continued in charge until 1885. During 1885-1887, the business was directed by a brother of Hériot, one of the founders. In 1887, it was made a joint stock corporation. The Louvre aimed almost from the start to serve the people of means rather than the masses. Even now it is said to have a big volume of business with the families making up the French aristocracy. Its silk and other dress goods departments are world-famous. Its January white goods sales are historic events. The Louvre employs about 5,000 people and has an annual sales volume said to be over 650,000,000 francs.

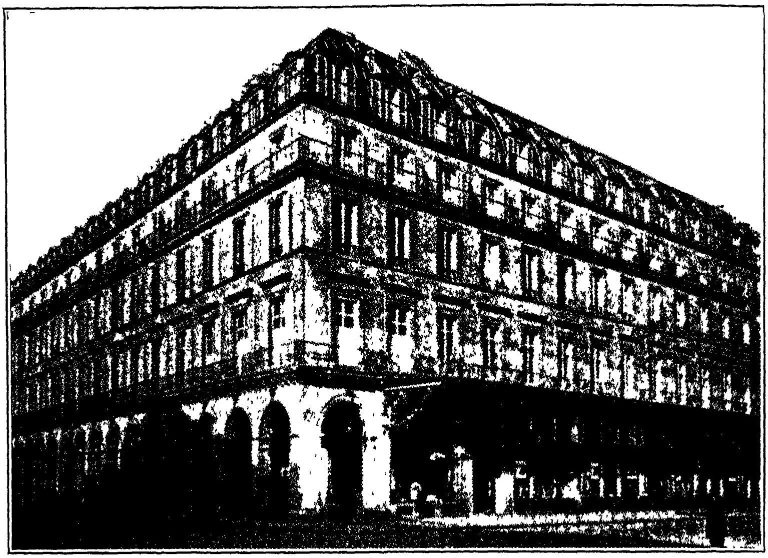

Figure 70. The Louvre Department Store, Paris

The second department store to be established in Paris. Typically French in architecture. Famed for its substantial trade with well-to-do people, its unusual displays of dry goods, particularly linens and other yard goods, and its white goods sales. Reproduced by courtesy of *Nugents—The Garment Weekly*, May 8, 1928.

Le Printemps, whose sales exceed a billion francs a year, is said to be the finest department store in Europe. It was founded about 1860 by M. Jaluzot, a former chief buyer under M. Boucicaut in the Bon Marché. The Bon Marché aimed to serve the great masses of the people of Paris. M. Jaluzot determined that Le Printemps should be a store appealing to the people of wealth and good taste. This institution also grew very rapidly. Its present head, M. Pierre La Guionie, a former silk buyer under M. Jaluzot, has carried on the business with marked success. The old buildings were destroyed by fire in 1923 and, in the new store, rebuilt in 1924, modern mechanical devices such as are in common use in the United States, cash registers, pneumatic tubes, sprinkler systems, gravity conveyors, and modern heating and lighting systems, were installed. M. La Guionie is reported to have made a special

study, prior to rebuilding his store, of American store architecture.

Le Printemps maintains manufacturing connections in apparel and in furniture and home furnishings. It is particularly famous for its lavish merchandise displays and exhibitions. It has some manufacturing connections and enjoys a large trade coming from outside of Paris.

The Samaritaine, the R. H. Macy & Co. of Paris, with a sales volume well over 1,000,000 francs per year, was founded by M. Cognacq and his wife. This business is said to be conducted on a margin of about 25% of sales as against a margin of 33% or more in other Paris department stores. Unlike the R. H. Macy & Co. in New York, a large part of the Samaritaine business is conducted on the instalment basis. Its sales policies are directed specifically at securing the great popular-price trade of Paris and surrounding country. It employs 8,000 or more people.

Figure 71. The Samaritaine, a Large Department Store, Paris

Both buildings shown in the picture are occupied by the store, a large and successful institution. Reproduced by courtesy of *Nugents—The Garment Weekly,* May 8, 1928.

Although its trade is largely of the masses, it has some remarkably well-developed departments. It is said to have the best fur department in Paris, not excepting even Révillon Frères. Its furniture and home furnishings departments are most extensive.

The Galeries Lafayette, the youngest but in some respects the most aggressive of the five big department stores of Paris, was founded in 1899 by M. Alphonse Kahn and Théophile Bader. M. Kahn had been running a retail store in Paris for a number of years preceding, but the Galeries Lafayette began in this year. One of the objects of the establishment of the Galeries Lafayette seems to have been to give competition to Le Printemps which had antagonized large financial interests in Paris. In the establishment of the Galeries Lafayette, it has been said that extensive aid was given by bankers including the Rothschilds.

From a very small beginning in 1899, the sales volume of the Galeries Lafayette has steadily climbed upwards. It passed the billion franc mark in 1924-1925. As of 1928, its sales volume probably exceeded 1,200,000,000 francs.

The Galeries Lafayette operates large factories for the production of apparel and also has several retail branches. Unlike most of the other Paris department stores, most of this business is carried on for cash although it does have a credit department.

Chain Stores.—France not only holds the record for the first department store in the world, at least in modern times, but also the first of modern chain store systems, still in existence. The oldest chain in France is the Établissements Nicolas, dealers in wines. This concern was started in Paris over 100 years ago and has today over 200 branches, most of which are in Paris and its suburbs.

Despite this early beginning, the chain store movement remained largely dormant in France for many decades. During

recent years a rejuvenation of interest has occurred corresponding to the activity in establishing chain stores in the United States, Great Britain, and elsewhere.

The Docks Rémois is said to have been the first chain grocery store system founded in France. It started in Rheims in 1888. There are now more than 100 grocery chains with a total of 18,500 retail stores, with total annual sales amounting to nearly 6,000,000,000 francs. Chain grocery units of France are usually conducted by a manager and his wife. The manager receives a remuneration of about 5% of sales instead of a salary. Outside help is employed only in larger shops and by commercial managers. Among the larger chain store systems besides the Docks Rémois, there may be mentioned the Entrepôts de Grenelle, the Ruche Méridionale, and the Établissements Félix Potin.

Besides the branch systems maintained by the large Paris department stores already mentioned, there are at least 3 fairly well-developed department store chains operating in France. These include the Nouvelles Galeries, the Paris-France stores, and the Magasins Modernes stores. As of January 1, 1929, the first of these organizations had 26 units, the second 74 units, and the third 32 units.

There are also chain store organizations dealing in shoes, among which the Groupe Ehrlich, with about 500 stores, dominates the chain store shoe business in France. There are also several small chains selling men's apparel and furnishings and other lines.

Cooperative Stores.—As in England, the consumers' cooperative movement has an important position in France, although not nearly so powerful as in England. It is estimated that there are in France at least 3,500,000 members of retail cooperative societies owning about 7,500 retail stores, with an annual volume of business estimated at 3,500,000,000 francs. The cooperative stores are usually small and their sales are

largely made in foodstuffs, although there is a considerable business in shoes, underwear, and furnishings as well.

A great many independent retail shops in France are united in numerous groups for cooperative buying and there are also many small retailers who arrange to have their purchasing done for them through the large metropolitan retail organizations. Thus the buying departments of Paris department stores not only purchase for their own needs but act as wholesalers, or at least as purchasing agents, for many small stores scattered throughout France.

One of the Paris department stores whose central buying organization serves several hundred retail stores is known as the Magasins Réunis. This institution is said to act as the purchasing agent for not less than 300 stores in France alone, and performs buying services for several stores and chains in other countries also.

The Galeries Lafayette is carrying on an interesting experiment in completely dissociating its buying and its selling departments. The buyers have nothing to do with the sales departments of the store. Each sales department is managed by a department head or sales manager who orders such merchandise as he may need from the buying department of the organization.

4. **Germany.**—In Germany the retail trade presents a very high degree of organization and development. While small independent stores prevail in great numbers, here as elsewhere, there are numerous department stores, chain store systems, specialty shops, and consumers' cooperative stores. In the city of Berlin there are said to be 54 full-fledged department stores. In other large cities there are proportional numbers. There is, however, not a great deal of mail order business. The German people apparently prefer to do most of their trading near at hand and with institutions where they may first examine the merchandise before buying.

One of the characteristic features of trade in Germany is the highly developed condition of trade associations existing in every branch of trade. Manufacturers in nearly all lines are combined in large cartels and other organizations. Wholesalers are likewise well-organized. There are over 60 large retail trade associations representing as many lines of trade, which are in turn combined into one national organization, the National German Retail Association.

In addition to the usual list of matters given consideration by the individual trade associations, the National German Retail Trade Association serves its member organizations by efforts to secure favorable legislation and prevent unfavorable legislation affecting retailers. There are a great many government restrictions in German cities covering retail trade, and the lobbying function is both a necessary and important activity. The national association also represents the retail trade as a whole in all discussions of public policy affecting the retail trades such as tax problems, import and export questions, and so on. A large number of retail store employees, estimated at 40% or more of all such workers, are members of trade unions. Questions regarding working hours, holidays, and wages are considered not on an individual basis but by collective bargaining. There are even occasional strikes of retail trade employees.

Another characteristic of German retail trade is that most of it is conducted on a cash basis. A certain amount of credit accommodation is granted to customers of long standing, but there has been no development either of the regular credit business or of instalment selling in Germany comparable to that found in America. Efforts have been made in recent years to develop the instalment credit business, and while there has been some progress in this line it has usually met with considerable objection from large numbers of retailers as well as bankers and other business men.

Retail store buildings, particularly the department store and

specialty shop buildings, represent advanced forms of retail architecture. Most of the department store buildings are of recent construction, and instead of growing up in a haphazard way by combination of many small units, as was often the case in England, and as has been the case in several instances in this country, buildings have been constructed with the definite view of housing department store businesses. As a result they present an appearance of completeness and unity for their specific purposes not usually found elsewhere. A number of retail store buildings recently erected embody distinctly modern architectural designs. In fact, much of the modernistic art appearing in retail store architecture elsewhere originated in Germany.

German display methods are well advanced. Much ingenious art is expended both in window and store displays. Whereas English and French shops, as a rule, crowd their windows with as much merchandise as possible, German display methods lean in the direction of securing effective artistic presentations. German advertising methods, however, are not comparable to the display and copy work secured by the better stores in the United States.

Retail store employees, particularly in the larger stores, are highly organized and departmentized. The division of labor is carried much farther than in England and even in the United States. Department store salespeople rarely do any other kind of work but selling. Wide beginnings have been made in educational and welfare work for retail store employees, but it is probable that in these lines German retail stores have not gone so far as American retail stores.

German retail trade is characterized by very aggressive methods. Individual retailers as well as the large chains and department stores are everywhere interested in new developments, particularly if they offer any hope of easing the heavy burdens of competition.

Consumers' Cooperatives.—The consumers' cooperative movement is an important factor in German retail trade. It is not so successful as in England but there are a great many consumers' societies, and nothing but the very keen competition that exists among other types of retail institutions seems to prevent this movement from growing rapidly.

Retailers' Cooperatives.—Cooperation among independent retailers themselves prevails very widely. There are hundreds of retailers' buying associations or "bunds." There are said to be over 500 in the grocery trade alone. These local buying groups are in turn combined into larger organizations, one of which, the Edeka Verbund, with headquarters in Berlin, represents, directly and indirectly, from 65% to 75% of all the grocers in the German Reich. Unlike the independent retailer in the United States, who likes to paddle his own canoe, most retailers in Germany belong to associations or groups of one kind or another. While most of the cooperative buying groups are relatively small, there are some associations which number several hundred retailers.

Vertical Combinations.—During the period of the World War, many of the larger retail organizations established manufacturing connections. In fact, some of them were forced to develop factories in order that they might have goods to sell. As a consequence, there seems to be a great deal more of such vertical organization of retailers and manufacturers in Germany than in other countries. Judging from the statements made by German retailers in recent years, the manufacturing connections, particularly since 1920, have not been particularly advantageous. Manufacturing during recent years has been found a burden rather than an advantage. Most of the larger organizations retain their manufacturing connections, but probably would be glad to be rid of them if this were practically possible. Combinations of manufacturing and retailing will probably not again be highly desirable until production

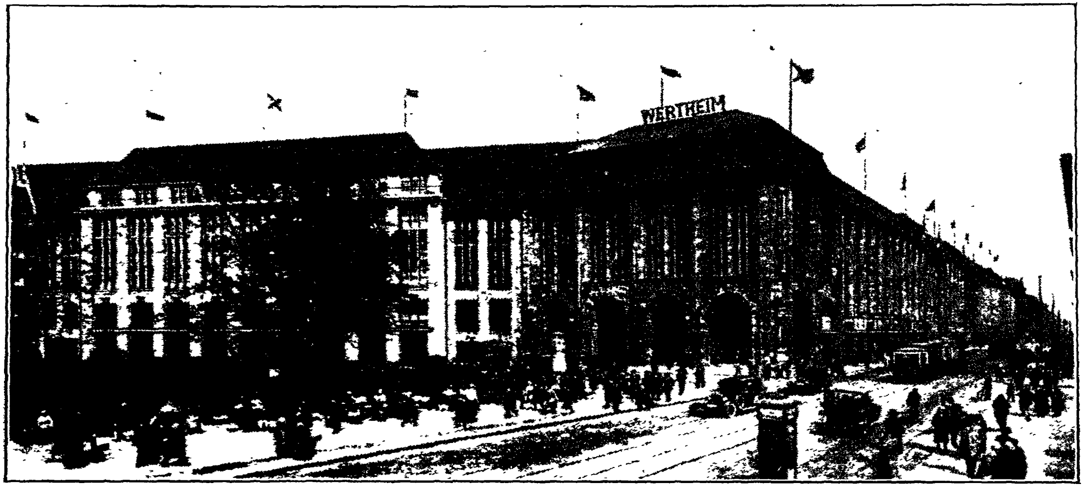

Figure 72. A. Wertheim's Department Store, Berlin

Probably the first of large retail stores to adopt a distinct, modernistic style of architecture. (From "Kauf und Warenhäuser.") Erected about 1906.

levels are more completely stabilized and adjusted to consumption.

Department Store Chains.—Most of the department stores in Germany are tied up in chains or closely knit organizations. Among the best-known concerns in the German Reich are:

A. Wertheim's of Berlin with 6 other branches. The original Wertheim Berlin store has for many years been considered one of the most unique buildings as well as one of the largest department stores in the world.

Rudolph Karstadt A. G., with headquarters in Hamburg, established in 1889, now has more than 80 stores scattered throughout north German cities. It also owns a number of factories producing fabrics, outer apparel, underclothing, drapery, upholstery, and house furnishings, a part of the output of which is sold to wholesalers or exported.

Leonhard Tietz A. G., with headquarters in Cologne, operates more than 30 stores located mainly in western and south

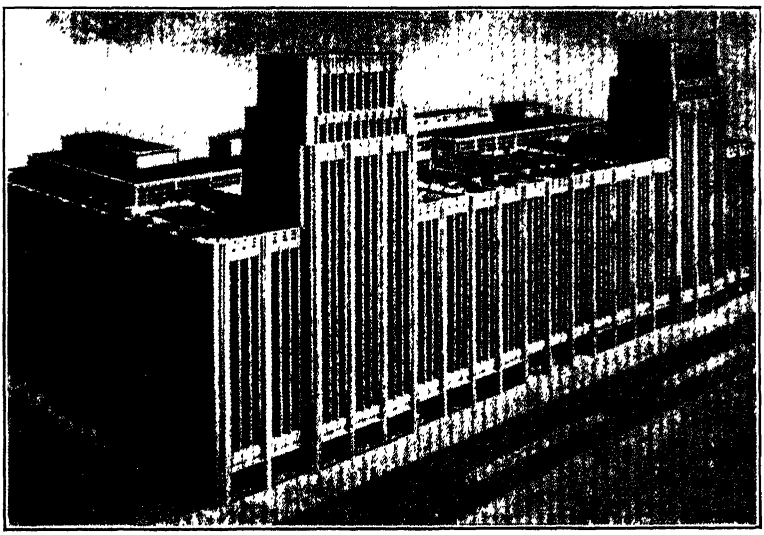

Figure 73. Rudolph Karstadt Department Store, Berlin
(From "Kauf und Warenhäuser.")

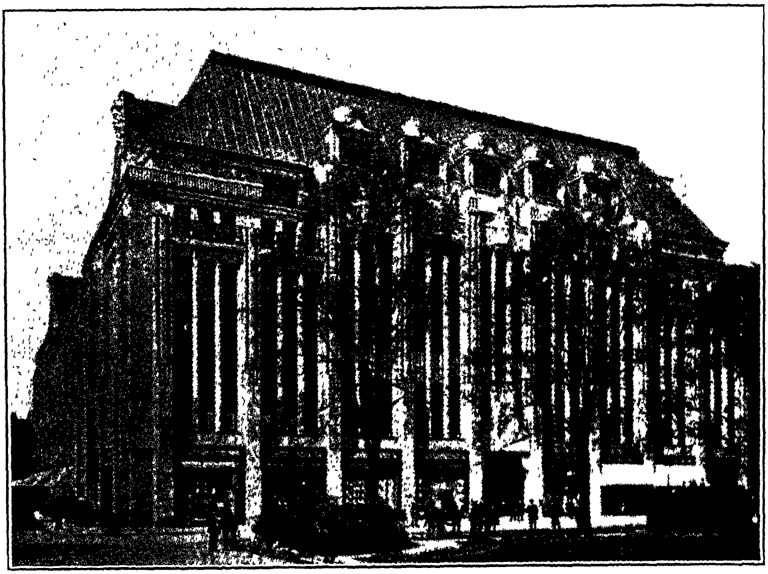

Figure 74. The Leonhard Tietz Department Store, Düsseldorf
Reproduced by courtesy of the *Dry Goods Reporter.*

central Germany, chiefly in the Rhineland. The Leonhard Tietz organization was founded in 1879. While it does not have as many stores as the Karstadt organization, its stores are larger and its sales volume competes with that of Karstadt.

Hermann Tietz A. G., with headquarters in Berlin, operates 20 or more stores in central Germany.

Other German department store organizations include:

M. Conitzer & Sons operating 20 stores
Lindemann & Co., also with 20 stores
I. Shocken & Sons, in Saxony, with 14 stores
Alsberg Bros., A. G. with headquarters in Cologne, operating 66 stores
Gustav Ramelow, A. G., of Berlin, with about 30 stores

All of the foregoing are associated or interrelated in various ways. There are several buying organizations used in common by the various concerns named.

5. **Other Countries.**—Department stores and chain store organizations are to be found in nearly all well-populated countries. Department stores antedate chain stores in practically all instances. Chain stores have their widest development in countries with dense populations and excellent transportation facilities. Everywhere chains are showing growth. Among the department stores found in other countries may be mentioned:

L'Innovation of Brussels, with branches in other Belgian cities
De Bijenkorf of Amsterdam and The Hague
La Rinascente, an Italian department store chain made up of about a dozen stores, with headquarters in Milan and branches in Rome, Naples, Florence, Turin, Genoa, etc. Its sales are estimated at about $40,000,000 per year
The Magasin du Nord and the Illum of Copenhagen
Bergstrom's and Nordiska Kompaniet of Stockholm
Mostorg of Moscow, including a central department store and 33 outlying shops controlled by the Moscow Soviet
Stockmann's of Helsingfors, Finland

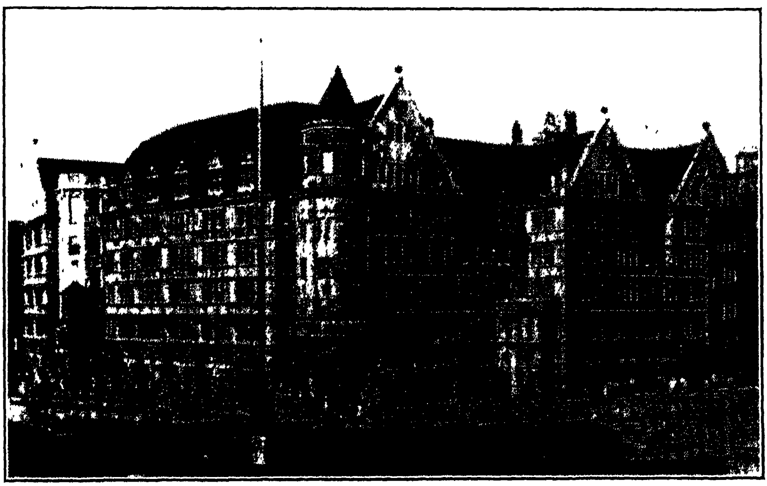

Figure 75. The Hermann Tietz Store, Munich
(From "Kauf und Warenhäuser.")

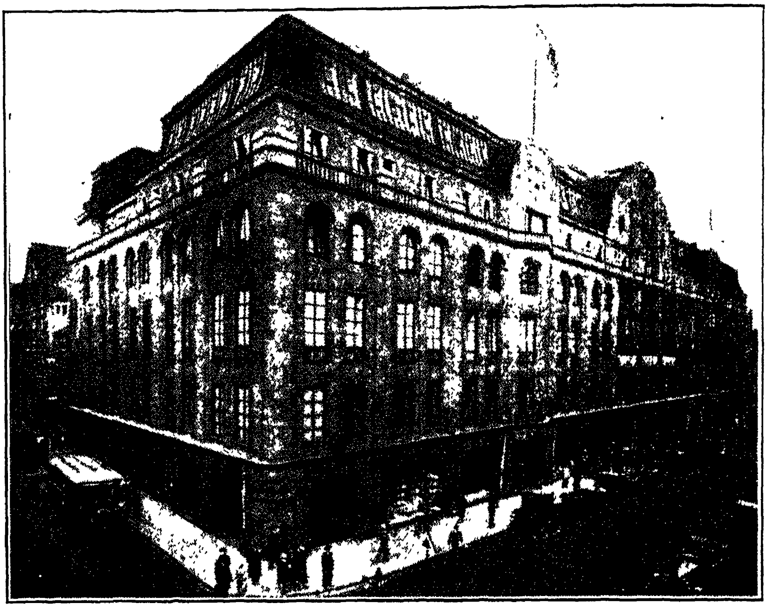

Figure 76. Swedish Department Store, Nordiska Kompaniet of Stockholm
(From "Kauf und Warenhäuser.")

6. The Orient.—The Orient, particularly India and China, is still the stronghold of the small, independent retailer. The average shop in the Orient is a one-story building with no doors or windows to the street. The entire front is closed by shutters at night and in the daytime the shutters are removed. Most of such shops are from 10 to 16 feet wide on the street, and the depth is usually about the same as the width. Shelving runs along the back of the storeroom and there may or may not be a counter. Surplus stock not on display in the shop is usually kept in warerooms at the rear. The retailer and his family also live in rooms or a building back of the shop.

Shops are generally owned by an individual, but there are also frequent copartnerships. The sons of the owner usually assist in the business. There are hired employees, but these are

usually to be found only in larger establishments. Wages of retail store employees amount to from $3 to $4 a week.

Oriental shops, as a rule, do not have windows and therefore do not use window displays. Instead of window displays the shops put out gorgeous signs which usually read vertically rather than horizontally. With the exceptions found in retail stores established by western people, there are no special bargain days or special sales in oriental stores. All days are bargain days. Purchases by the masses of the people are made for cash, but there is a certain amount of credit business granted to families of standing and wealth. Fixed selling prices are still the exception rather than the rule.

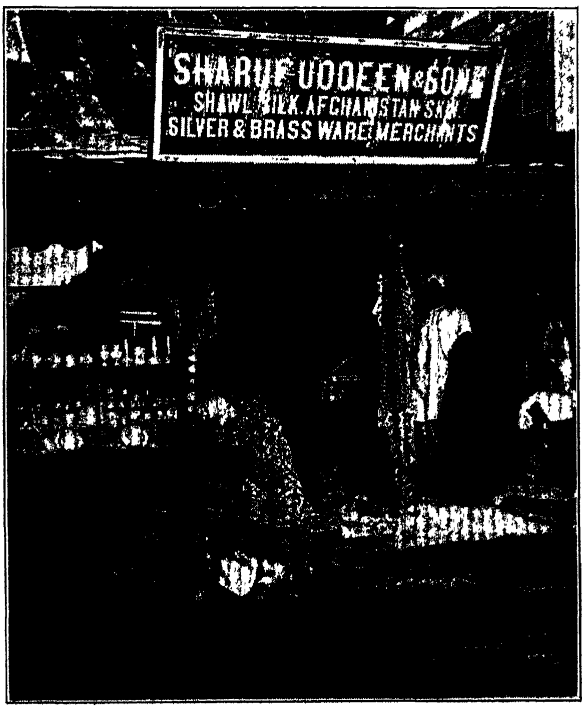

Figure 77. A Store in India

Reproduced by permission of Hugh Lyons & Company, Lansing, Mich., manufacturers of store fixtures, and of Underwood & Underwood, owners of the copyright.

Figure 78. Chinese Traveling Store
Reproduced by special permission of Hugh Lyons & Company, Lansing, Mich., manufacturers of store fixtures.

Department stores are to be found in the larger cities such as Bombay, Calcutta, Singapore, Hongkong, Canton, and Shanghai. In each of these places there are several well-developed organizations occupying excellent modern department store buildings. In these stores, in addition to goods of local or native manufacture, there are also imports from England, France, Germany, and America. These stores have plate glass windows and window displays as in stores in western countries.

7. **Japan.**—Retailing represents the widest possible extremes in Japan, extending from the most old-fashioned ancient oriental shops to the most modern well-equipped department stores to be found in the world.

Department stores have had a very rapid expansion during recent years, and in the larger cities of Japan, at least, are now

the principal retail outlets for many classes of both domestic and imported goods.

The largest department store organization in Japan is Mitsukoshi Ltd., with headquarters in Tokio. This is the pioneer department store in the Orient. Its annual sales are said to exceed $35,000,000. Although it did not become a department store organization until after the opening of the twentieth century, it has an unbroken history as a mercantile concern dating back to 1673. Mitsukoshi conducts branch stores in Osaka, Keijo, Kobe, Dairen, and Seoul.

Other important department store organizations of Japan include:

Daimaru, with headquarters in Kyoto, has large stores in Osaka, Kenazawa, Tokio, and Kobe.

Takashimaya, a very high-class department store organiza-

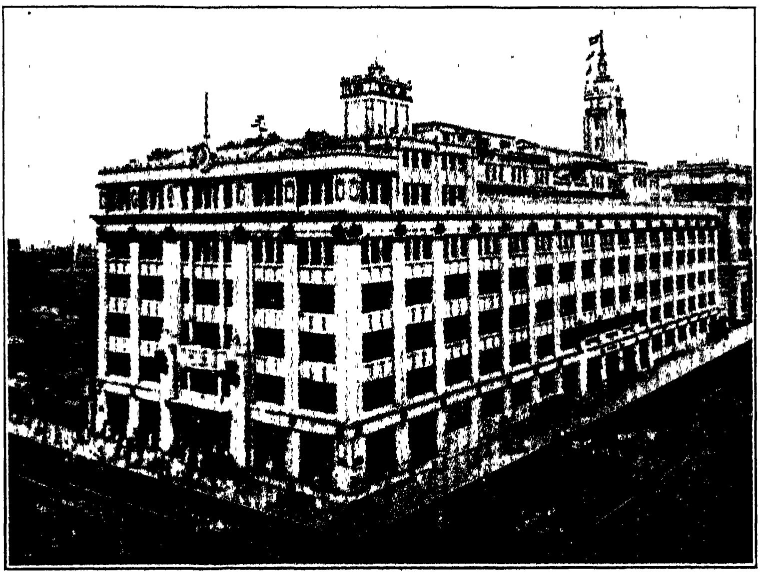

Figure 79. Mitsukoshi Department Store, Tokio, Japan

Japan's largest department store. Reopened in 1927 after being destroyed by the earthquake of September, 1923.

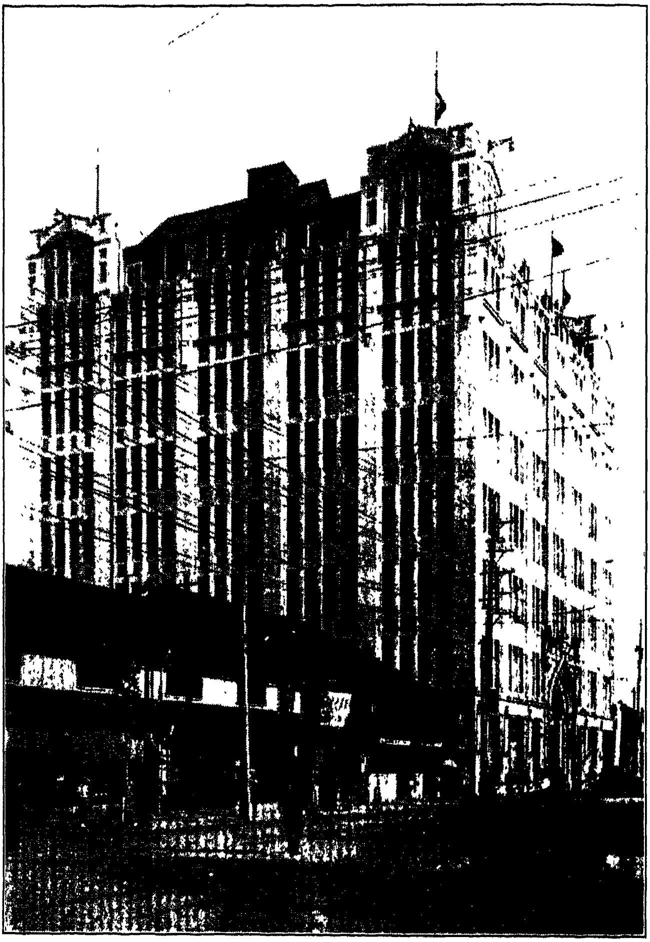

Figure 80. K. Kawakatsu Takashimaya Department Store, Osaka, Japan

The picture admirably illustrates both the old and the new types of retail store architecture in use in Japan. The steel and concrete construction in the large, new store might be found in any modern department store in the larger cities of America or Europe.

tion, with headquarters in Tokio, has branches in Osaka and Kyoto.

Another important concern is the Matsuzakaya, also in Tokio.

Japanese department stores are said to operate on a gross markup of about 15% of sales. Operating expenses amount to from 10% to 12%, leaving about 3% to 5% of net profit. The more successful stores secure a turnover of from 9 to 10 times a year.

Japanese department stores handle mainly Japanese goods, but have representative lines of imports from Europe and America. Food products make up an important department in all of these stores.

Working hours in Japanese stores run from 9:00 A.M. until 5:30 P.M., excepting during the mid-winter holiday season and at cherry blossom time, when they are kept open in the evenings as well. Japanese stores are open seven days a week but most of them allow their employees two holidays per month, namely, on the first and the fifteenth. Wages are paid either monthly or weekly. Good retail salespeople earn as high as 100 yen or $50 per month; most of them, however, receive less than that. The larger organizations have worked out extensive systems of education and welfare work for employees. Most of the young people now going into Japanese department store work have the equivalent of a high school education.

The department store as a retail institution is said to be exceedingly well-adapted to meet the demands of the Japanese people. Customers like to visit the larger stores and to enjoy their atmosphere and surroundings. Large crowds come to see the department stores in the same way that people elsewhere visit museums, and quite without any thought of making purchases. Extensive provisions are made for the entertainment and service of visitors, such as rest rooms, restaurants, roof gardens, and tea rooms, and bus transportation from railway stations and street-car terminals. One store has reported an

average of over 60,000 visitors per day, with as high as 200,000 in a single day. The typical Japanese department store handles everything required by the Japanese family, including food, apparel, home furnishings, jewelry, cosmetics, toys, and so on.

Most of the retail trade in Japan is carried on for cash. Very little credit is extended. A large volume of department store business is also secured through the use of trade coupon systems as well as cash. Customers make purchases of these coupons in advance and use them as needed in the purchase of goods.

These coupons are very similar in appearance and in use to the holiday gift certificates much used by American stores and used chiefly during the Christmas holiday season. In Japan, however, the use of these coupons is very much more extensive and is not limited to any particular time of year. Such coupons or merchandise tickets, as they are popularly called, are even used as currency in Tokio and other large cities. Their widespread use has raised a storm of protest from small retailers and other businesses and it is likely that their issue may be regulated in the future.

It is of interest that merchandise coupons, so widely used in Japan, are also widely used in other parts of the Orient. In Australia and New Zealand, the "cash order" system, as it is there called, has definitely come up for public regulation.

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